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ABSTRACT

A survey commissioned by the National Education Association studied how state legislators, especially those in leadership positions, view the current landscape for higher education in their states. The findings are based on in-depth, one-on-one telephone interviews conducted from July 2000 through February 2001 with 64 house and senate education leaders, representing the legislatures of all 50 states. When asked to identify their state's most important strategic needs, state legislators highlighted three key roles for higher education: (1) strengthen and diversity the economy; (2) prepare and train a high-skills, high-wage workforce; and (3) raise the level of educational attainment of the state's population. Legislative priorities and strategies mentioned by legislators are designed to address two major challenges that higher education faces in meeting state needs: improving the responsiveness of the higher education system and accommodating changing demands for access to higher education. State appropriations for higher education operating funds have increased on average 7% annually for the past 3 years, but legislators generally believe that these funds are not adequate. As state budgets tighten, higher education's long-standing role as a "budget balancer" makes it particularly vulnerable to cuts. How higher education will fare in the changed economic environment is difficult to predict. Three appendixes contain a discussion of research methodology, the interview protocol, and a state data table. (Contains 9 figures, 1 table, and 26 endnotes.) (SLD)

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WHERE WE GO FROM HERE: State Legislative Views On Higher Education In The New Millennium

Results of the 2001 Higher Education Issues Survey

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EXECUTIVE SUMMARY

KEY FINDINGS FROM THE HEIS 2001

I. WHAT STATES NEED FROM HIGHER EDUCATION

When asked to identify their state's most important strategic needs, almost without exception, state legislators framed their responses in terms of the state's economic development interests and emphasized that higher education must contribute directly to these efforts. Legislators highlighted three key roles for higher education:

☐ **Strengthen and diversify the economy.** A widely shared view is that maintaining a first-rate research university is critical to state economic development efforts in order to provide a strong research base for the generation of new knowledge and as a source for "cutting edge" technological innovation. Because of the potential for research alliances, a well-regarded research university can also serve as an incentive for the location or relocation of high-tech industries.

☐ **Prepare and train a high-skill, high-wage workforce.** Higher education plays a critical role in furthering states' efforts to "grow the workforce from within" as a way to attract new businesses to the state and to provide employment opportunities for state residents. Legislators also underscore higher education's role in providing convenient and relevant continuing education and training, which are considered essential to retaining existing businesses.

☐ **Raise the level of educational attainment of the state's population.** In one way or another, nearly all legislators in our study made reference to higher education's role in working collaboratively with elementary-secondary education to increase the level of educational attainment of the state's population. From the perspective of state legislators, a critical role for higher education is to prepare, train and support highly qualified elementary-secondary education professionals who can improve student achievement.

II. STATE LEGISLATIVE AGENDAS FOR HIGHER EDUCATION

Economic development interests are driving state legislative policy and funding agendas for higher education. Legislative priorities and strategies are designed to help address two major challenges that higher education faces in meeting state needs:

A. Improve Responsiveness in the System

The essential watchword for advancing higher education's role in the New Economy is "responsiveness" — that is, the need for higher education to be responsive to a broadly defined external constituency that includes employers, students, and the public. Legislators were asked, given the strategic needs they identified, about the responsiveness of the following four types of higher education providers in meeting those needs. Their responses suggest a subtle conceptual shift away from treating higher education providers in their states as separate entities to considering them as part of a larger system organized around the efficient and effective delivery of educational services and information to businesses and citizens.

☐ **Public Four-Year Colleges and Universities.** By and large, legislators believe public four-year institutions are generally responsive to state needs. However, they emphasized two areas where the public four-year sector needs to focus its attention: making better use of existing facilities to handle changing student enrollment needs and adopting a more "student-centered" approach to the delivery of educational services.

☐ **Public Two-Year Community Colleges and Technical Schools.** Of the four types, legislators consider the public two-year sector to be the most responsive overall to state education and training needs. Particularly in contrast to the public four-year sector, the consensus among legislators is that public community colleges and technical schools are able to move faster and are more adept in responding to and accommodating changing enrollment demands.

☐ **Private Not-for-Profit Colleges and Universities.** Legislators note that private colleges and universities seem willing to shoulder more of the responsibility for maintaining access, especially to programs in fields in which workers are in high demand. Consequently, legislators

report recent actions to broaden state-based financial aid programs to allow more students to use the grants at private institutions.

☐ **For-Profit Providers of Higher Education.** Legislators' responses about for-profit providers showed the greatest amount of variation of the four types. Some legislators were largely unfamiliar with the providers in their state. Others were well aware that proprietary institutions are playing an increasingly important role in delivering educational services in their state that meet workforce demands. One educational niche that the providers seem to fill particularly well is in assisting non-traditional learners obtain or upgrade entry level skills.

Legislative Priorities and Policy Responses to Improve Responsiveness

To facilitate colleges and universities' ability to be responsive to state needs, legislative priorities and policy responses have centered on building and expanding capacity in the system, providing greater management flexibility and strengthening institutional quality.

☐ To meet the demands of a rapidly changing marketplace, legislators talked about the need to grant institutions more flexibility in setting tuition rates (usually within a prescribed range determined by the legislature) or in retaining tuition revenues. Another action being considered is to allow institutions to launch new degree or certificate programs without first submitting to a lengthy program approval process.

☐ Many legislators support targeting funds for the addition or expansion of degree programs in fields in which there is a shortage of workers, such as engineering, information technology, education, and in some health-related areas. At the same time, legislators made it clear they do not think attending a public college or university should be a purely occupational-related experience.

☐ Although legislators continue to look to technology-based solutions for a host of access-related needs, among the things they've learned is that implementing technology-based solutions is not as cheap as they thought it would be. At least in the short-term, technology is not a panacea for lowering costs or for accommodating more students.

☐ Healthy budget surpluses in recent years have encouraged some

states to undertake more long-range capital construction and improvement projects. In addition to gearing up for an anticipated enrollment boom, state legislators also endorse capital improvement efforts because a high level of investment in infrastructure is of consequence in determining a state's long-term economic performance.

☐ To stanch faculty "brain drain" and to enhance institutional quality, legislators describe the need to create new faculty positions and raise faculty salaries as important legislative priorities in their states. However, if budget tightening requires establishing spending priorities, current capital improvement projects and commitments made to K-12 teachers are likely to take precedence over faculty salary increases.

B. Accommodate Changing Demands for Access

When asked about changing demands for access to higher education, 88 percent of legislators reported they expect enrollments to climb over the next decade. To accommodate increased enrollment pressures, many legislatures are focusing on strategies designed to expand institutional capacity and to reduce student financial and academic barriers to access.

The 12 percent of legislators that expect higher education enrollment demand in their states to decrease or stay about the same describe a different set of strategies. These strategies focus on reducing excess capacity in their institutions through a combination of competitive tuition rates, innovative program offerings and the recruitment of non-traditional and out-of-state students.

Legislative Priorities and Policy Responses to Accommodate Access

1. Stronger Preparation, Better Coordination

☐ There is widespread legislative support for a K-16 "seamless" system of education and training, however, many legislators are frustrated by the perceived lack of higher education involvement in these efforts. Perhaps more than any other indicator, continued high rates of remediation among college undergraduates remain both the symbol and the symptom of the disconnection between the K-12 and higher education. Some legislators are critical of higher education for not working more closely with K-12 to strengthen the academic experience

of high school students and ensure they are well prepared for college level work.

☐ A top priority of state legislatures is to change and improve the way teachers are recruited, educated and supported. Some legislators feel that higher education has not made enough of an institutional commitment to the goal of K-12 school improvement, and specifically, K-12 teacher quality. Legislators discussed actions to hold higher education accountable for producing professionals who have the knowledge and skills to teach a more diverse population of students to higher levels of academic achievement.

☐ Many legislators support merit-based student aid programs as part of the state's K-12 school reform efforts to raise educational aspirations and academic achievement. Although they make reference to academic, financial and equity goals as important rationales for the programs, their comments center mostly on the programs' goals related to the state's economic development interests. A key objective is to stem the brain drain of the state's top high school students who go to college outside the state and end up leaving for good.

2. Keeping Higher Education Affordable

☐ Tuition is often the topic that gets "worked over" the most during the legislative session in part because tuition and state appropriations tend to be tightly linked. Legislators describe recent actions to regulate the "sticker price" of a college education through the targeted use of state appropriations in what they referred to as a tuition "buy-down" or "bail out." This arrangement sometimes comes with a catch: In exchange, the institutions guarantee that for a period of time tuition will remain stable or subject only to slight increases.

☐ Legislators maintain a high level of interest in the use of financial aid to moderate the impact of high tuition, even though many consider it a "band-aid" that does little to address the larger problem of continually rising prices.

III. STATE FUNDING FOR HIGHER EDUCATION

☐ Although state appropriations for higher education operating funds have increased on average 7 percent annually for the past three years, when asked if the current level of state funding for higher education was

adequate to meet current state needs, 77 percent of legislators said "no." This figure represents a 21 percent increase over 1995. Legislators say state economic and workforce development goals have contributed to the setting of ambitious and costly long-term agendas for higher education.

☐ At the time interviews were conducted, slightly less than half of all legislators expected higher education's share of their state's total budget to increase during the next three to five years. However, their responses were tempered by uncertainty over the long-term health of the economy. In other words, legislators were cautiously optimistic about higher education's chances of garnering a greater share as long as the state's fiscal and economic health held, but they were pessimistic about higher education's ability to compete for resources if budgets got tight.

☐ The process of getting a budget passed can take precedence over any substantive discussion of the policy objectives it is intended to serve. How much money states appropriate for higher education may be simply a matter of determining what funds are available. Beyond that, however, certain kinds of information or particular circumstances can serve as intervening factors that can affect how and in what way funds are allocated.

☐ Most legislatures continue to rely heavily on "inputs" in determining how funds to higher education are allocated, although interest in linking funding to performance "outcomes" continues to grow. In determining higher education appropriations 86 percent said "the current level of funding" and 70 percent said "information about projected basic needs" were significant factors.

IV. WHERE WE GO FROM HERE

Shortly after interviews for the HEIS2001 were completed, many states began to see their earlier revenue projections fall rapidly. What seems most remarkable now is not that the downturn happened when it did but rather how quickly it struck, managing to catch even veteran state policymakers and the most seasoned of economic analysts off-guard. As the economy slows, higher education will be subject to increased scrutiny as state legislatures are forced once again to prioritize needs from among equally deserving, yet competing demands for public resources.

☐ As state budgets tighten, higher education's long-standing role as a "budget balancer" makes it particularly vulnerable to cuts. Most legislators recognize that a share of higher education's fiscal problems can be shifted to others, primarily in the form of tuition and fee increases. Well over half of the legislators interviewed for this study agree that a significant factor in determining how much the legislature will appropriate for higher education is "the ability of colleges and universities to provide for themselves through tuition, research funds, and gifts."

☐ As states increasingly face the dilemma of not being able to fully meet the financial needs of all students who qualify for aid, legislatures will likely confront a "clash of values" over how and to whom funds should be distributed. A number of states already face the dilemma of not being able to fully meet the needs of all students who qualify. State legislators will be called upon to determine which set of values should undergird student aid policy goals: aid to recruit the most desirable students or aid to assist the neediest students.

☐ How higher education will fare in this changed environment remains to be seen. However, legislative politics are likely to play an increasingly important role in determining whether or not states can make good on higher education commitments. Most legislators report that the quality of professional interactions between the legislature and the colleges and universities has improved in recent years, consistent with the improving economy. Among the 18 percent of legislators who describe the legislature's relationship with higher education as "mixed" or "strained," concerns related to fiscal matters often lie at the heart of the tension.

☐ Given the current political environment in which state legislatures operate, the influence of a short-term perspective will likely make it more difficult to sustain any kind of long-range vision for or commitment to higher education. High rates of turnover in state legislatures have meant that legislative leaders are not always the ones with the most longevity. Additionally, when asked to describe aspects of the legislative process that have an impact on the legislature's ability and capacity to do its job, especially as it pertains to higher education, legislators identified the following concerns that also contribute to turnover: growing campaign demands, an inadequate amount of time to address a wide range of complex issues, constraints on legislative authority, and term limits.

PREFACE

"While history shapes the hand a state is dealt, public policy determines how that hand is played."

—The State New Economy Index[1]

WINDS OF CHANGE

Fueled by the longest economic expansion in history, most states have enjoyed record budget surpluses during the last few years. Higher education — defined for purposes of this report as states' systems of public and private providers of education and training beyond the level of high school — has benefited from the economic good times. FY 2001 was the third straight year in which state policymakers appropriated on average a 7 percent increase in higher education operating funds. The added revenue has been directed in large measure toward the continued support of higher education's critical role in economic development and in accommodating changing demands for access.

But winds of change are in the air and the forecast for higher education remains clouded with uncertainty for the future. Although at midyear 2001, experts continue to disagree as to whether the U.S. economy is headed for a recession, recent reports of creeping inflation and a decline in productivity show clear signs of a slowdown. Unemployment is again on the rise as growing numbers of once promising "dot.com" companies begin closing their virtual doors. Many states have seen their flush budget surpluses of recent years quickly dissipate in the wake of revenue shortfalls. And for the first time in nearly a decade, many states now face the prospect of significant budget cuts.

America's world-class system of higher education, founded on democratic principles of affordable access and equal opportunity, stands at a critical juncture. The economic downturn comes at a time when states need to continue making strategic investments and policy changes in higher education to develop human capital and maintain

strong economic foundations. Enrollments, spurred by population growth and the demonstrated public and private benefits that accrue from a college education, are expected to climb 20 percent over the next decade to record heights of 17 million students by the year 2010. Yet competing public demands and shrinking resources threaten to put access to an affordable college education out of reach for many Americans.

What direction higher education will take is still uncertain, but where we, as a nation, go from here will depend in large measure on the leadership exercised by state legislatures, who along with governors, share primary responsibility for setting policy and appropriating funds for public colleges and universities in the states. Best estimates indicate that, for most states, sustaining higher education's current level of service will require support that will outpace current revenue projections.[2] In the past, state legislatures have treated higher education appropriations as a discretionary item, in part because of the ability of colleges and universities to tap other sources of revenue, primarily student tuition and fees. Equally important, although often overshadowed by fiscal matters, are the larger policy questions, the answers to which will determine the course of the future for who goes to college and who should pay.

This report is designed to help illuminate the way by shedding light on how state legislators, particularly those in leadership positions, view the current landscape for higher education in their states. Against the backdrop of political and economic conditions, it explores how the knowledge, experience and values legislators hold about higher education's role in the New Economy are shaping their policy choices. To a large extent, economic development interests are driving state legislative policy and funding agendas for higher education. Societal needs, while still important from the standpoint of individual benefits that are associated with having a college education, have nevertheless taken a backseat to economic concerns. Legislative priorities and policy responses are designed to address two major challenges that higher education faces in meeting state needs: improve responsiveness in the system and accommodate changing demands for access. However, as the economy slows, whether or not state policymakers can exercise the will or ability to sustain their ambitious agendas for higher education in the face of mounting pressures and shrinking public resources remains to be seen.

ABOUT THE HIGHER EDUCATION ISSUES SURVEY 2001

The primary source of information for this analysis is the 2001 state legislative Higher Education Issues Survey (HEIS2001), supplemented with data drawn from other published sources. The National Education Association (NEA), Washington, D.C., commissioned Educational Systems Research (ESR) to develop and produce this study for the benefit of its affiliates and others with an interest in higher education state policy issues. The findings for the HEIS2001 are derived from in-depth, one-on-one telephone interviews conducted from July 2000 through February 2001 with 64 house and senate education leaders. State legislatures in all 50 states are represented.

It is important to note that the report describes general patterns and trends drawn from the sum of legislators' responses. Readers should not assume that all the findings would apply to any particular state. Instead the report seeks to reflect accurately and impartially the collective voice of state legislators. A basic assumption of the study is that the way in which legislators define problems provides critical clues as to their perceptions of underlying causes and potential solutions. Most reports about state legislative higher education issues are based on information gathered from people other than state legislators. While such reports can be highly useful, this report presents a unique opportunity to highlight and clarify basic policy issues based on the personal perspectives of higher education's leading state lawmakers themselves.

The HEIS2001 is the third in a series of state legislative higher education issue surveys that Educational Systems Research has produced on behalf of the NEA. In 1995, ESR conducted interviews with 58 house and senate education committee chairs in 49 states. The findings, detailed in the *Politics of Remedy: State Legislative Views on Higher Education* (1996), document legislative attitudes and opinions on a wide range of higher education issues. The interviews captured legislative agendas and outcomes from the sessions that immediately followed the historic 1994 mid-term elections. These elections marked the first time in nearly four decades that the Republican Party was the majority coalition represented in the U.S. Congress, in state executive offices and among state legislatures. Many of the new Republican governors and state legislators who were elected to office in 1994 campaigned on promises to trim the size of government and reduce taxes.

One of the key findings from the 1995 HEIS focused on "the promise of technology to resolve a variety of access-related problems." This was the one single issue on which there was virtually no disagreement: All the education committee chairs interviewed for the 1995 survey strongly endorsed the expanded use of technology as a means for delivering instruction in higher education. And 95 percent thought their legislature would continue funding support of technology for the next three to five years. In 1996, the NEA commissioned ESR to explore the issue in more depth. The result was *Going the Distance: State Legislative Leaders Talk About Higher Education and Technology* (1997), which describes legislative agendas, policy strategies and funding priorities for access to and use of technology for higher education purposes based on interviews with key state legislators in 11 study states.

The 2000–01 survey builds on the results from the two earlier studies and adds fresh insights. For comparative purposes the HEIS2001 asked some of the same questions as the 1995 survey as a means for gauging changes in legislative attitudes. It also explored a new set of topics with questions relevant to current issues. The findings provide an important point of contrast with legislative views in 1995. Since the 1995 survey, several noteworthy events have occurred:

- Beginning in FY 1995, states have enacted seven straight years of net tax cuts.
- Although total state appropriations for higher education operating costs have increased by nearly 37 percent between FY1995 and FY2001, outpacing the rate of inflation in each of those years, the share of state budgets allocated to higher education has continued to steadily decline.
- State spending on student aid has increased 29 percent from 1994-95 to 1999-2000; merit-based grant programs accounted for 22 percent of all expenditures on student aid in 1999-2000 compared with 15 percent in 1994-95.
- The percentage of four-year public colleges and universities offering remedial instruction has declined while the percentage of two-year public colleges has grown.
- The overall percentage of employed persons age 17 and older that participated in postsecondary education has increased since 1995, however, of those with annual family incomes of $10,000 or less, participation declined.

This report was developed and written with two key audiences in mind. For state policymakers, it provides an opportunity to share ideas and "lessons learned" across state lines. In the course of conducting this and previous higher education issue surveys, legislators often expressed an abiding interest in knowing what other states are doing as they try to work through similar issues. For the higher education community, it offers an opportunity to better understand and respond to state policy concerns. For NEA affiliates, specifically, the report is designed to help inform their decision-making and to assist them in working with elected leaders to craft sensible policy outcomes. Taken together, this report is intended to serve as a springboard for strengthened communication between and among state policymakers and the higher education community.

REPORT ORGANIZATION

The report is organized into six sections. In Section I, *The State Political Environment*, recent changes to, or aspects of, the legislative process are described, particularly in terms of their impact on state higher education policy. Section II, *Higher Education's Role in the New Economy*, examines how and in what ways states' economic development interests are shaping legislative agendas for higher education. Sections III and IV draw directly from our interviews to focus on two related challenges higher education faces in meeting identified state needs.

Section III, *Improving Responsiveness in the Higher Education System*, looks at legislative priorities and policy responses centered on expanding capacity, boosting effectiveness and enhancing quality. Section IV, *Accommodating Changing Demands for Access to Higher Education*, addresses legislative responses designed to reduce academic, articulation and transfer, and financial barriers to access. In Section V, *State Funding for Higher Education*, legislators' views regarding the adequacy of state funding to meet current state needs is explored along with factors that affect how state funds for higher education are allocated and distributed. The impact of recent shifts in the economy on legislative agendas for higher education policy and funding now and in the future is the subject of Section VI, *Where We Go From Here*.

The report also contains three appendices. *Appendix A* describes the survey methodology and contains a profile of survey respondents. *Appendix B* is a copy of the Higher Education Issues Survey 2001 inter-

view protocol. *Appendix C* offers a state data table as an interpretive framework for understanding the survey findings. The table provides state-by-state information on seven demographic variables that help describe a state's political, social and economic environment for higher education.

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SECTION I

THE STATE POLITICAL ENVIRONMENT

LEGISLATIVE PROCESS AND POLITICS

Each state's political environment is unique, shaped through a combination of historical forces, social factors and state values. Over the last two decades, new relationships and responsibilities have had a significant effect on states' political environment. We asked state legislators to describe aspects of, or recent changes to, the legislative process that have had an impact on the legislature's ability and capacity to do its job, especially as it pertains to higher education. Based on their collective responses, the following conditions play an active role in shaping the political environment in which state legislatures currently operate:

□ **Growing campaign demands.** It should come as no surprise that campaign issues were central on the minds of legislators when we talked to them in 2000 and 2001: In November 2000, voters headed to the polls to decide nearly 6000, or 80 percent, of state legislative seats in 44 states. Over the years, those seeking elective office have had to devote increasingly greater amounts of time and money to campaign efforts. Because most state legislatures will embark on the often-partisan task of redrawing the boundaries for congressional districts in 2001, total spending on many high-stake races reached into the tens of millions of dollars during the 2000 election.[3]

Members elected to the lower house of the legislature in all but a few states serve two-year terms while the same holds true for members of the upper house in 11 states. The remainder of legislative officeholders is elected to four-year terms. Legislators say that especially with two-year election cycles, incumbents pursuing reelection are forced to divide their time between the campaign trail and the legislative chamber. As one representative described it: "You serve one session, then you're out on the road trying to win reelection to another term."

Many also concede that the strenuous demands of running for office can have a detrimental effect on the work of the legislature. "During an election year it shows in the bills that are passed," said a long-

time legislator. "You are spending more time campaigning and raising money than you are on the legislative process." Moreover, during an election year, incumbents running for reelection may try to avoid supporting — at least, publicly — certain controversial measures that come before the legislature, such as tuition increases.

ELECTION 2000: PLENTY OF EXCITEMENT, BUT LITTLE CHANGE

In November 2000, voters headed to the polls to fill nearly 6000, or 80%, of state legislative seats in 44 states. Despite the high stakes and the potential for a dramatic turn of events, little changed in the overall political landscape of state legislatures.

Some highlights:

- In every state that held elections, all seats in the lower house were contested. Sixteen states also decided all their senate seats, while another 18 states elected half or more.
- In the 18 states in which the dominant party led by only a slim margin, party control could have been reversed or split with a change of five seats or less.
- The outcome of November's election also held particular significance because the party in control could also control the redrawing of congressional and state legislative districts to take place in 2001 in 44 states.
- Prior to the election: Republicans controlled both chambers in 17 states, Democrats held 19, and 13 states were split control.
- Following the election: Republicans are now in control in 18 states, Democrats hold 16, and 15 are split. (Nebraska has a single, nonpartisan chamber.) (See *Appendix A* for a state-by-state breakdown on party control.)

☐ **Not enough time.** With the passing of greater responsibilities for important policy areas from the federal government to the states, legislatures now address a far wider range and more complex set of issues than ever before. Regardless of the length of the legislative session many legislators feel pressed for time to consider the full slate of issues that comes before them. "We often have one or two issues that dominate all of our time, and this leaves little time for debate and proper decision making on other issues," reported one legislator. Consequently, in some states, higher education's problems, while deemed relatively important, may not be perceived as serious or urgent enough to warrant the legislature's undivided attention to them.

"As legislators, we tend to careen from one crisis to another and when you've got a higher education system that's working — well, it does tend to get neglected when you have other crises to deal with."

—Chair, House Higher Education Committee

Several long-time legislators commented that in recent years higher education has been among the issues that receive greater attention during the interim period or in special sessions. Away from the "hue and cry" of a regular session, policymakers are able to examine issues more thoughtfully and in greater detail. The chair of an appropriation committee noted that in his state the work of the interim committee probably garners higher education greater visibility with his committee.

☐ **Constraints on legislative authority.** Our system of direct democracy permits citizens to play an active role in making laws, amending the state constitution, and approving or rejecting laws passed by the state legislature. In 2000, for example, voters were asked to decide the outcome on a wide array of higher education policy questions, ranging from faculty performance pay in Oregon to increased institutional autonomy in Hawaii. Some measures end up on the ballot because the legislature refers them; others get there by way of citizen initiatives.

Citizen initiatives, currently allowed in 24 states, represent one way in which voters can pass laws on contentious issues that the legislature is reluctant or unwilling to tackle on its own. In recent years, there has been a marked increase in what has been referred to as "ballot box budgeting"[4] — propositions put on the ballot that in effect serve to limit the legislature's authority to levy taxes or expend monies. The initiative process also has had an effect on the states that don't allow citizen initiatives. Legislation to legalize gambling and lottery sales first surfaced as initiatives but have since come to be issues that state legislatures now frequently endorse.

☐ **Term limits.** Term limits, another outgrowth of the initiative process, prescribes limits on the length of time an elected official can remain in office. In 1998, the first election year in which large numbers of legislators in term-limited states were prohibited from running again for their seats, 54 percent of Arkansas' and 58 percent of Michigan's representatives were forced out. In 2000, a total of 380 lawmakers in 12 states were ineligible to run, according to the National Conference on State Legislatures (NCSL). (See *Appendix C* for a list of states that has either an initiative process or legislative term limits or both.)

The long-term impact of term limits on the legislative process probably won't be fully known until the legislation, in all of the 19 states that have them, goes into effect over the next few years. However, leg-

islators attributed to term limits the following changes in legislative process and politics: rise in the number of bills introduced, increased lobbyist influence, and more political gridlock that results when there's heightened pressure to get things done in a hurry and less time available to reach a compromise. As of 2001, legislatures in at least 10 of the states with term limits were considering proposals to modify or repeal the laws.

Many legislators also voiced serious concerns about the potential of term limits to dramatically alter current working relationships in matters pertaining to higher education. "Term limits relate to the understanding, history, and relationships that are associated with higher education," said a term-limited representative elected in 1994. "Everyone suffers a bit with term limits — power shifts to staff and departments." Added a senate education chair from another term-limited state: "There is something to be gained from understanding history and how problems have been worked out in the past. This is very important in higher education because higher education is based on a long-term relationship."

SHORT TERM PERSPECTIVE, LONG TERM PROBLEMS

Term limits are only one of the critical factors contributing to more frequent turnover among the membership of state legislatures. Even in states without term limits, greater turnover can result as voters, who have become increasingly distrustful of government and wary of career politicians, display their reluctance to return incumbents to office. Additionally, legislators themselves sometimes throw in the towel early, often to take a better-paying job or because they simply have grown weary of legislative politics.

As a result, today's legislative leaders are not always the ones with the most longevity. In term-limited Oregon, for example, there has been a new House speaker in each of the past five legislative sessions. In this study, which specifically targeted legislative leadership — primarily, education or higher education committee chairs but also included finance committee chairs, senate presidents, house speakers and majority and minority leaders — tenure ranged from 2 years to 34 years. The majority of legislative leaders accounted for in the study, however, have served less than 10 years. As one education chair noted: "I have only four years and I am already a senior senator."

Legislators described in blunt terms the toll that frequent turnover in membership can extract on the policy making process for higher education. They pointed out that building a strong economy requires a long-term commitment and turnover can make it more difficult to create and sustain the kind of continuity and stability that's needed. In the words of one legislator: "With higher education you don't see the results immediately, so you've got to pick a course and stay with it." Added another: "With new faces, you are more likely to try to implement old solutions that maybe didn't work before." In the end, as one higher education committee chair succinctly put it, the legislature can be left with "just a short-term vision instead of a long-term plan."

> ***"What happens is we put together a game plan about how we're going to solve various education issues. Then every two or four years a whole new set of people comes in with all these new ideas and wants to reinvent the wheel or they come in with their own preconceived ideas about what education should be."***
>
> *Long-time Senator from an Eastern State*

BUDGET MATTERS

The state budget is arguably the most important piece of legislation that the legislature passes each year. Whereas the role of the education committee may be oriented more toward how to solve problems, the finance committee's job is to decide which problems to solve from among the various alternatives competing for funds.[5] As described by this legislator who sits on both the education and the finance committees in his state, the process of getting a budget passed can take precedence over any substantive discussion of the policy objectives it is intended to serve:

> ***"We put most of our legislative resources into being very good at 'budgeteering' and number crunching and as a result we are not very good at in-depth analysis of the policy issues. And as a result, what we get is budget drives policy, rather than policy driving budget."***
>
> *State Senator from an Eastern State*

Because of a strong economy, states have been able to invest more in higher education the past few years. Total state appropriations for operating funds for higher education rose in FY 2001 to a record $60.5 billion, a 7 percent increase over the previous year, according to an annual survey conducted by Illinois State University. FY 2001 was the third year in a row in which state appropriations for higher education increased by an average of 7 percent, which is roughly equivalent to the average percentage increase in general fund expenditures during the same time period.

But the economic good times of the past few years could not be sustained indefinitely. In February 2001 the NCSL revised their earlier state fiscal outlook for 2001 to reflect the impact that the recent slowdown in the national economy has had on state fiscal conditions.[6] The NCSL reported that although state revenue growth has slowed, and in many states spending is exceeding budgeted levels, an infusion of supplemental appropriations means that most states will not need to cut their FY 2001 budgets or tap reserves in order to keep them in balance. The outlook for FY 2002 is far more uncertain, however, with most states taking a wait-and-see approach.

SECTION II

HIGHER EDUCATION'S ROLE IN THE NEW ECONOMY

WHAT STATES NEED FROM HIGHER EDUCATION

During the last 15 years, the U.S. economy has undergone a dramatic transformation — from one driven primarily by major manufacturing industries such as automobiles, chemicals, and steel to one spurred to one degree or another by technology. As Anthony P. Carnevale, an economist and vice president for public leadership with the Educational Testing Service, put it: "The U.S. economy has, in large part, traded in its hardhat for a briefcase."[7] In the "New Economy," it is knowledge and ideas rather than muscle and sweat that are largely responsible for revolutionary advances in information technology.

When asked to identify their state's most important strategic needs and the role of higher education in addressing those needs, nearly all state legislators we interviewed framed their responses in terms of the state's economic development interests. Although their responses reflect local and regional variations of state-level efforts to stimulate growth and raise the potential of the economy, without exception, legislators emphasized that higher education must contribute directly to these efforts. Accordingly, the legislators assign the following economic-related roles to higher education:

☐ **Strengthen and diversify the economy.** As the "engine of economic development," is a phrase state legislators frequently invoked to describe higher education's role in fueling economic growth and expansion in their states. "Higher education spurs economic activity and helps us attract and create new industry," is the way one higher education committee chair explained it. There is a widely shared view that a first-rate research university is critical to these efforts because it provides a strong research base for the generation of new knowledge and is a source for "cutting edge" technological innovation. Because of the

potential for research alliances, a well-regarded research university can also serve as an incentive for the location or relocation of high-tech industries. A recent report by the Milken Institute suggests this approach may have merit: Of the top 30 high-technology metropolitan areas, 29 are home to or within close proximity of a research university.[8]

☐ **Prepare and train a high-skill, high-wage workforce.** State legislators we talked to are well aware that businesses are drawn to regions that support a highly educated and skilled workforce. "When you talk to business and industry, the main need they have, above all others — even above tax exemptions and tort reform issues — is workforce development," noted a representative from a Southern state. Although it's not the only consideration that determines where businesses eventually reside, the lack of a qualified workforce can quickly derail states' targeted efforts to recruit them. As one state senator reported, "We have talked to a lot of companies and have not been able to pursue them because the first question they ask is whether or not we have a workforce to meet their needs. This is where higher education has to play a part."

One crucial role that most legislators agree higher education needs to play is in furthering states' efforts to "grow the workforce from within" as a way to attract new businesses to the state and to provide employment opportunities for state residents. Many legislators also underscore higher education's role in providing convenient and relevant continuing education and training that are responsive to the evolving needs of business and industry. They view this as essential to retaining existing businesses by minimizing the risk that they will be forced to recruit workers from other states or foreign countries to fill needed jobs.

☐ **Raise the level of educational attainment of the state's population.** States derive significant economic, social and civic benefits from its investments in an educated citizenry. At the same time, an education is also vital for citizens to be able to succeed economically and function responsibly in society. Over the last two decades, the real earnings of workers who hold only a high school diploma have been dropping dramatically while the wages of college-educated workers have either held steady or rose in the New Economy. Low-skill, low-wage workers also need access to educational opportunities to advance up the career

ladder. For all citizens to raise their quality of life, states hold the responsibility to expand learning opportunities.

In one way or another, nearly all legislators in our study made reference to higher education's role in working collaboratively with elementary-secondary education to raise the level of educational attainment of the state's population. Their comments included working with K-12 education to raise student aspirations for completing high school and ensuring that students have sufficient knowledge and skills to be successful either in higher education or in the changing world of work. From the perspective of state legislators, a related role for higher education is to prepare, train and support a greater number of highly qualified elementary and secondary teachers who can improve student achievement.

MEETING THE CHALLENGES

Economic development interests and the roles defined for higher education described above provide a backdrop for understanding state legislative policy and funding agendas for higher education in the states. To learn more about these agendas, and the legislative values and knowledge that underlie them, we asked our respondents a series of questions about the challenges higher education faces and the legislative priorities and policy responses they have identified to help higher education meet them. We also asked specifically about what issues receive the greatest amount of legislative attention during the session (as distinct from what legislation is passed) in order to learn more about which topics "get worked over" and what outcomes were produced as a result.

Taken together, this information serves as the foundation for the two sections that follow. Each section explores in more detail one of two challenges, briefly summarized below, that emerged from our discussions:

Challenge #1: Improving the Responsiveness of the Higher Education System. Higher education has a critical role to play in contributing to state and local economic development interests and in ensuring all citizens have the skills and abilities needed to be successful in the New Economy. For the most part, the state legislators we interviewed felt that the different sectors and types of higher education providers

that we asked them about were responsive in addressing identified needs. However, more needs to be done. To facilitate colleges and universities' ability to be effective and responsive, legislative agendas have centered on expanding system capacity, refocusing lines of decision-making authority and maintaining institutional quality.

Challenge #2: Accommodating Changing Demands for Access to Higher Education. Growth in the K-12 student population coupled with the increased value of a college education and the ongoing need for workforce-related education and training are fueling higher education enrollments, expected to increase 20 percent by 2010. Providing high quality, affordable access to a growing and increasingly more diverse group of students who will be entering higher education over the next decade presents a major challenge for state legislatures and colleges and universities. To prepare for the coming surge of new students, legislative agendas are focused on strategies and priorities designed to reduce academic, articulation and transfer, and financial barriers to access.

SECTION III

IMPROVING RESPONSIVENESS IN THE HIGHER EDUCATION SYSTEM

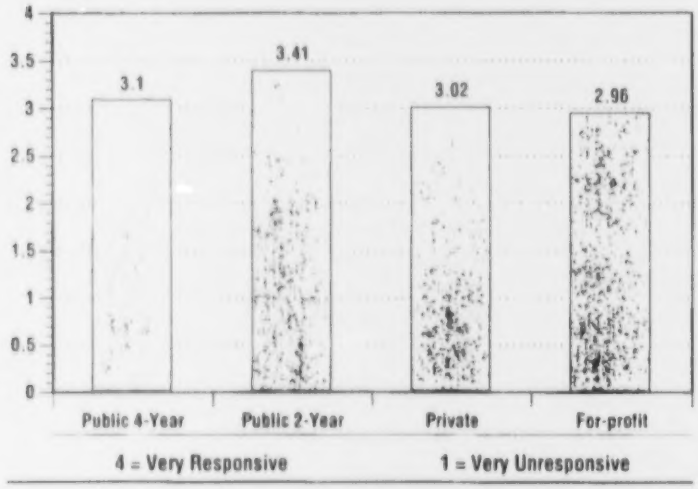
HOW RESPONSIVE ARE STATES' HIGHER EDUCATION PROVIDERS?

In state legislatures nearly everywhere, the essential watchword for advancing higher education's role in the New Economy is "responsiveness" — more specifically, the need for higher education to be responsive to a broadly defined external constituency that includes employers, students, and the public. To one extent or another, nearly all the legislators we interviewed described the challenges related to improving responsiveness in the higher education system in business-like terms. Using phrases borrowed from the private sector, they talk about a state policy recognition of "market forces," about the state and citizens' "return on their investment" in higher education, and about the necessity for a stronger "customer orientation" to the educational services and information that colleges and universities provide.

We asked state legislators, given the strategic needs they identified, about the responsiveness of different types of higher education providers in the state in meeting those needs (Fig. 1). Using a 4-point scale, where 4 equaled "very responsive" and 1 equaled "very unresponsive," legislators were asked to rate and provide additional comments on the following types of providers: public four-year colleges and universities (which included doctoral, comprehensive, and baccalaureate institutions); public two-year community colleges and technical institutes; private not-for-profit colleges and universities; and private for-profit providers. Overall, their comments suggest that legislators may be making a subtle conceptual shift away from thinking about individual institutions as separate entities to considering them as part of a larger system of higher education organized around the efficient and effective delivery of educational services and information to

Figure 1

RESPONSIVENESS OF HIGHER EDUCATION TO STATE NEEDS



businesses and citizens. Following are highlights from their comments about the different sectors:

☐ **Public Four-Year Colleges and Universities.** By and large, the legislative leaders we interviewed believe public four-year institutions in their states are generally responsive to state needs. However, many voiced concerns that unless traditional institutions of higher education make significant internal changes, they will be unable to compete over the long haul in what is rapidly becoming a very crowded educational marketplace. Legislators seem to agree on two areas where the public four-year sector needs to focus its attention. The first is making better use of existing facilities to handle changing student enrollment needs, such as offering classes year-round and more convenient scheduling of evening and weekend classes for adult and other non-traditional students. The other area is adopting a more "student-centered" approach to teaching and learning, one that recognizes and responds to different learning styles and provides more individualized learning opportunities.

☐ **Public Two-Year Community Colleges and Technical Schools.** Of the four types of providers we asked about, legislators in our study consider the public two-year sector to be the most responsive overall to state, as well as to local, education and training needs. Particularly in contrast to the public four-year sector, the consensus among legislators is that public community colleges and technical schools are able to move faster and are more adept in responding to and accommodating changing enrollment demands. In the words of one legislator: "They have been extremely responsive in being able to identify and then shift quickly to meet what they see as the oncoming needs." Several legislators cite the public two-year sector's willingness to develop new pro-

grams or make curricular changes that are "in tune" with the needs of business and industry. Others speak of the two-year sector's role as an integral part of education beyond high school. As one legislator put it: Community colleges contribute to "creating a seamless path, taking people from where they are and providing the opportunity to go to the next level."

☐ **Private Not-for-Profit Colleges and Universities.** Half of all the state legislators we interviewed in1995 felt the independent sector should be relied on more to accommodate changing enrollment needs in their states. Among the high-growth states, the number was closer to three-quarters. In the HEIS2001, many legislators report that private colleges and universities have been willing to shoulder more of the responsibility for maintaining access, especially to programs in fields in which workers are in high demand. Consequently, an increasing number of state legislatures are considering action to expand state-based financial aid programs to allow more students to use the grant funds at private institutions. However, a few legislators indicate that a certain "tension" exists in the legislature over the level of state support that should be directed to independent higher education.

> ***"It is clear that there is a growing need for higher education. What is not so clear is whether higher education has to be public, private, two-year or four-year. Responsiveness will determine traditional higher education's role, and right now, I will just say that the private institutions are responding well."***
>
> ***—Chair, Senate Higher Education Committee***

☐ **For-Profit Providers of Higher Education.** With total revenues reaching $300 billion annually and enrollments projected to soar over the next decade, the current environment for higher education simply invites competition. The result is an ever-increasing supply of new for-profit providers joining the ranks of existing colleges and universities in offering higher education and training. Of the four types, legislators' responses about for-profit providers showed the greatest amount of variation: Their wide-ranging comments paint a decidedly mixed picture of this fast growing sector.

In some cases, legislators did not want to venture rating the for-

profit sector because they were, for the most part, unfamiliar with the providers in their state. Additionally, since the institutions do not receive direct state funds, several legislators indicated the legislature would be less inclined to turn to them for assistance in meeting state education needs. In other cases, legislators told us that proprietary institutions play an increasingly important role in their state in delivering educational services that meet workforce demands. Several explained that the educational niche that proprietary institutions seem to fill particularly well is in assisting non-traditional learners obtain or upgrade their entry level skills. However, some of our respondents pointed out that because the "state" is not its primary constituency, the for-profit sector is less responsive to state needs than it is to market forces. As one higher education committee chair put it, "The profit motive sometimes gets in the way of the public interest."

KEYS TO IMPROVING RESPONSIVENESS: CAPACITY, FLEXIBILITY AND QUALITY

To facilitate colleges and universities' ability to be responsive to state needs for higher education, legislative priorities and policy responses have centered on building and expanding capacity in the system, providing greater management flexibility and strengthening institutional quality. Following are some highlights relating to these priorities drawn from the interviews:

In discussing remedies to improve institutional responsiveness in public colleges and universities, some legislators acknowledge that the legislature, in fact, may be a significant part of the problem. Although most legislators seem well aware that a certain degree of flexibility is needed if institutions are going to improve their ability to respond quickly and effectively to a very dynamic marketplace, many appear less clear about where the balance may lie between institutional autonomy and state oversight responsibilities. Some legislators told us that any "blame" assigned to higher education's perceived inability or unwillingness to respond to changing state needs should be shared equally by legislatures that have failed to communicate clearly their expectations or to provide the incentives or management flexibility required to act in a responsive manner. Consider the words of this legislator as he reflects on the impact his state's myriad set of rules and regulations has had on institutional responsiveness:

"There was really no incentive [for public colleges] to meet the demands of the workforce because you had such hurdles to clear through the legislature that it just wasn't worth the time, and often the interest [of businesses] would wane because [the colleges] couldn't respond quickly enough."

Chair, Higher Education Committee

Notwithstanding a few states, legislative interest in reorganizing governance structures has lessened in recent years. Several legislators told us their states are currently trying "to stay the course" with the reorganization changes they initiated previously. The attention these days seems to be less on altering formal structures and more on refocusing the lines of decision-making authority. Several legislators described discussions taking place in their states to grant institutions more flexibility in setting tuition rates (usually within a prescribed range determined by the legislature) or in retaining tuition revenues. Another action being considered is allowing institutions to launch new degree or certificate programs without first submitting to a lengthy program approval process. To minimize legislative concerns about program duplication, the programs in question typically must be within the institution's current role and mission. One state in which both strategies are being employed is Oregon, where the legislature had already granted the higher education system a large measure of fiscal and operational autonomy in 1995. More recently, the legislature began allowing institutions to retain all revenues they raise, including tuition, and to expedite new courses and degree programs through a fast-track program approval process.[9]

A high priority is the expansion or addition of degree programs aligned with the state's economic needs, but some legislators are worried that instruction centered too much on workforce skill development will be at the expense of academic or intellectual development. In many states, the legislature is targeting funds for the addition or expansion of degree programs in fields in which there is a shortage of workers, such as engineering, information technology, education, and in some health-related areas. Nationally, the pattern of bachelor's degrees by field of study has shifted in recent years. One result is the number of students receiving bachelor's degrees either in engineering

or in computer sciences dropped precipitously between 1987-88 and 1997-98, according to the U.S. Department of Education.

Several legislators also question whether the substance of what many undergraduates learn in college is consistent with the knowledge and skills required of today's workforce. For some, the answer lies in a better alignment of academic programs with economic and workforce needs. In the words of one legislator:

> ***"For many years, the public universities were of the belief their role was to give students a broad-based liberal arts degree that would not only produce good incomes for students, but would make them better people, better citizens. I think that has changed a little bit now and [the universities] recognize that they have to be responsive to the needs of employers. The key to their future budgets depend on their responding to workforce needs."***
>
> ***—Chair, House Higher Education Committee***

At the same time, several legislators made it clear they do not think attending a public college or university should be a purely occupation-related experience. A few voiced concerns about the extent to which the business sector is permitted to define the curriculum for some programs. Others called for a measured approach to undergraduate education, one that balances career training with a more general liberal arts education, especially during the first two years. Our discussion on this topic led one legislator to ask rhetorically: "Do students need Plato, or do they just need some business and technology courses?" As another legislator concluded: "It is an age-old debate, but I feel that it is especially relevant today as we are challenged about the purposes of public higher education."

Legislators continue to look to technology-based solutions for a host of access-related needs, but they recognize future investments in "e-learning" and virtual campuses will need to be carefully balanced with a sustained commitment to physical campuses as well. In 1995, among the legislators we interviewed, the promise of technology to resolve a variety of access-related needs was the one single issue on which there was virtually no disagreement. Without exception, all the

education chairs included in the study strongly endorsed the expanded use of technology as a means of delivering postsecondary instruction. Many tended to favor an investment in technology over bricks and mortar. In the years that followed the 1995 survey, based on the nature of state appropriations, information technology appeared to be one of the few areas of higher education where state legislatures seemed willing to invest significant new resources. Today, distance learning, or "e-learning" as it is frequently called, continues to be a rapidly expanding sector of higher education that provides education and training to a broad audience. Several legislators described planning efforts underway in their states similar to the one proposed in Nebraska, which involves redesigning existing programs for the Internet as a way to increase enrollments.

On another side of this issue, several legislators told us that among the things they've learned is that implementing technology-based solutions is not as cheap as they thought it would be. At least in the short-term, technology is not a panacea for lowering costs or for accommodating more students. Some legislators stressed they expect their state's commitment to educational technology to continue but as part of a more measured approach to "how different types of educational delivery systems fit with state priorities." In considering this approach, a senate appropriations chair told us, "It is important to maintain the experience of a traditional college education." Many legislators cite already overcrowded conditions at some campuses that will require the construction of additional housing units and more classroom space to accommodate even a modest enrollment increase.

> ***"Not three years ago we were saying that we weren't going to need bricks-and-mortar, but it seems to me we now realize there needs to be a balance and a combination of technology and physical space."***
>
> ***—Representative from a Midwestern State***

When state budgets for higher education were especially lean in the early 1990s, many states viewed deferred maintenance as a way for colleges and universities to reduce their costs in the short-term. As economic conditions have improved in recent years, healthy budget surpluses have encouraged some states to undertake more long-range

capital construction and improvement projects. In 2000, for example, voters in North Carolina approved a $3.1 billion bond issue — the largest in the state's history — for construction and renovation projects at the University of North Carolina System and the state's 58 community colleges. What undoubtedly helped convince voters and the state legislature to move forward with the bond issue was a widely reported 31 percent surge in enrollments expected in the state over the next decade.

But gearing up for an anticipated enrollment boom is not the only reason why state legislatures are endorsing capital improvement efforts. Several legislators told us that a high level of investment in infrastructure is of consequence in determining their state's long-term economic performance. State-of-the-art research institutes, laboratories, and computer centers are vital for attracting high-tech industries to the state and for getting corporate and federal research grants.

Although still concerned about faculty priorities and workloads, legislatures increasingly see faculty as central to their efforts to enhance institutional quality. Many legislators describe the need to create new faculty positions and raise faculty salaries as important legislative priorities in their states. A similar conversation is taking place in many state legislatures in which incentives and enhanced compensation and benefit packages are seen as critical to attracting and keeping a highly-qualified K-12 teacher workforce. Several legislators related their own state's experiences with faculty "brain drain," in which faculty are lured by other institutions willing to pay more and by business and industry, especially in the high-tech area. The University of Tennessee Health Sciences Center in Memphis reportedly lost 165 faculty members over 30 months to other states willing to pay higher salaries.[10]

To stanch "brain drain," many states are responding in much the same way that Idaho has, where the centerpiece of the state's FY 2001-2002 budget for higher education is directed toward closing the gap between faculty salaries in Idaho and those at similar institutions in other states.[11] A few legislators cautioned, however, that if budget tightening requires establishing spending priorities, current capital improvement projects and commitments made to K-12 teachers are likely to take precedence over significant faculty salary increases.

SECTION IV

ACCOMMODATING CHANGING DEMANDS FOR ACCESS TO HIGHER EDUCATION

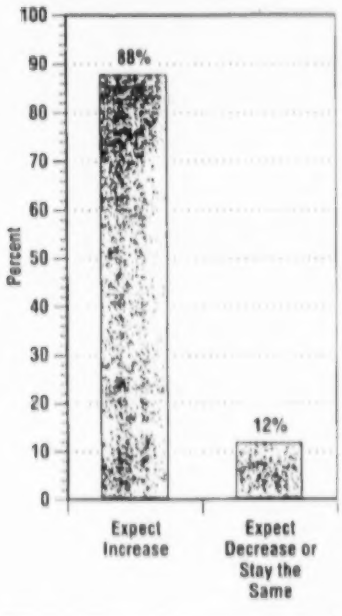
"THE KEY ISSUE IS ACCESS"

When asked about changing demands for access to higher education, an overwhelming majority of the 64 legislative leaders we interviewed reported they expect enrollments to climb over the next decade, significantly in some cases (Fig. 2). For most states, the anticipated increase in demand will be fueled by growth in the overall number of high school students expected to graduate and enter college during that time. (See *Appendix C* for state data.) To accommodate new enrollment pressures, many legislatures are focusing on strategies designed to expand institutional capacity and to reduce student financial and academic barriers to access. As one chair of a higher education committee in a high-growth state put it, "Our long term attention is consumed by the growth we perceive coming down the road and how we can be prepared to meet the demands of students who will be seeking a chair on our campuses."

For the 12 percent of legislators who expect higher education enrollment demand in their states to decrease or stay about the same, most are from states in which the school-age population is expected to decline or remain stable in number over the next decade. These legislators describe a different set of strategies focused on reducing excess capacity in their institutions through a combination of competitive tuition rates, innovative program offerings and the recruitment of nontraditional and out-of-state students. However, legislators point out that some colleges undoubtedly will need to eliminate programs while others may be required to merge with another institution. Still, a few legislators concede there remains a strong likelihood that sometime during the next decade certain colleges in the state will be forced to shut their doors altogether. Campus closures are doubly regrettable when a local college serves not only as the community's primary edu-

Figure 2

CHANGES IN ENROLLMENT NUMBERS EXPECTED OVER THE NEXT DECADE



cational provider but also as a major employer and a significant contributor to the local community's quality of life. But "it is all a question of what we need and what we are able to support," as one education chair from a Midwestern state explained.

Legislators' identification as a top legislative priority the need to accommodate changing higher education enrollment demands reflects the growing economic importance that a college education holds for individuals. "In 1959, only 20 percent of workers between the ages of 30 and 59 needed a college education; today that number is 56 percent," reports Carnevale of the ETS.[12] Further, economic projections indicate that 70 percent of the 20 million new jobs to be created by 2008 will require at least some college education. Although earnings should not be the sole measure of its worth, the financial value of a college education has increased dramatically over the last two decades; today the annual income of college graduates is on average nearly double that of people who possess only a high school diploma.

> ***"There will be a time, I would say in the next ten years, when having a college education is the necessity that having a high school education was yesterday. In fact, just a high school education is no longer helpful to our citizens. They need additional education. All states will need to gear up fiscally and with proper infrastructure if we're going to prepare everybody for a job."***
>
> *—Chair, Higher Education Committee from an Eastern State*

The legislator's words of advice quoted above aptly captures the prevailing attitude that exists in nearly every state legislature today. "The key issue is access" is a phrase we heard over and over as legislators described the central challenge they face in meeting increased or changing enrollment needs. During our interviews, legislators' discussion of access was frequently framed in terms of barriers that can impose limits on an individual's opportunities to enter and succeed in col-

lege. Their remarks centered on three such barriers: (1) *academic* barriers that can affect a student's ability to perform college level work; (2) *articulation and transfer* barriers that can impede a student's ability to navigate effectively and efficiently through the education system; and (3) *financial* barriers that can put a college education out of reach for a student unable to afford the costs. Within this context, legislators talked about legislative priorities and policy responses aimed at reducing or removing these barriers to access.

THE CHANGING FACE OF HIGHER EDUCATION

Nationally, higher education enrollments of persons under age 25 are projected to rise 24 percent from 1999 to 2010 while the number of students age 25 and over is expected to increase 9 percent. Much of this growth is attributed to an increase in the number of high school students set to graduate over the next decade.

Between 1998-99 and 2009-2010, the number of high school graduates nationally is expected to increase by 12 percent. The greatest growth will occur in the Western region, led by AZ (48%) and NV (79%). Other high growth states include FL (28%) and NC (31%). Alternatively, 14 states expect a decline in high school graduation numbers.

The overall ethnic and racial composition of K-12 students is undergoing change as well, with Hispanics accounting for most of the increased population growth. By 2010, 59 percent of high school seniors nationwide will be non-Hispanic white students, compared with 65 percent today.

Source: U.S. Department of Education, National Center for Education Statistics, 2001

STRONGER PREPARATION, BETTER COORDINATION: A RENEWED CALL FOR "SEAMLESS EDUCATION"

Despite the fact that the last decade has seen a majority of states significantly increase the percentage of high school graduates that immediately enroll in two- or four-year colleges, college readiness remains a serious issue. Approximately 30 percent of first-time freshmen in 1995 were enrolled in at least one remedial reading, writing or mathematics course. Far too many students who start college don't finish, often because they lack the basic skills and knowledge necessary to perform college level work.

In recent years, states have intensified their efforts to raise levels of K-12 student achievement so that lack of preparation will not be a barrier to students' access to college. In doing so, state legislatures have renewed their calls for greater cooperation and coordination between

and among the K-12 and higher education systems. "You can't expect one area to improve without talking about bringing the two together — and that's K-16," said an education committee chair. Much like our findings from the 1995 survey, there is widespread legislative support for a K-16 system of education and training (also referred to as P-16 or K-20), based upon "seamless" transitions from one level of learning to the next. And, also consistent with the 1995 survey, we found many legislators continue to be frustrated by a perceived lack of involvement on the part of higher education in these efforts. Our interviews yielded the following findings related to these issues:

Perhaps more than any other indicator, continued high rates of remediation among college undergraduates remain both the symbol and the symptom of the disconnection between the K-12 and higher education. Many legislators are very troubled by the number of students requiring remedial education, which is, as one legislator characterized it, "an enormous waste of taxpayer dollars." In 1995, legislators told us their states planned to take steps toward reducing costs associated with remediation by limiting the availability of basic-skills courses to only two-year colleges. Since then, U.S. Department of Education data reveal a steady decline in remedial instruction offered at public four-year institutions commensurate with its increase at public two-year institutions. Moreover, although legislators we interviewed in 1995 attributed the problem of remediation to deficiencies inherent in the K-12 system, at the time they were still uncertain what to do to about it.

Hoping to strengthen the academic experience of high school students and ensure they are well prepared for college level work, a growing number of states are currently deeply engaged in comprehensive education reform efforts designed to align standards, assessments, curriculum and accountability across the entire K-12 education spectrum. Yet in many states high school exit standards have little or nothing to do with college admission and placement procedures, according to educational researchers who have studied the issue.[13] This disconnection is particularly vexing for many legislators who chair a general education committee, and thus must consider the state's entire public education system. Several legislators criticized higher education for not working more closely with K-12, pointing to an absence of standards for what high school students need to know and be able to do to

succeed in college as a prime example of the problem. California is one state where the legislature has taken steps to remedy the situation: The state is helping support the California State University System's efforts to work with K-12 educators in better aligning the high school curriculum with that of the universities. Moreover, a joint committee of the legislature is drafting a new master plan that will include an alignment of standards from kindergarten through higher education.

> ***"Higher education generally takes the attitude that they have no responsibility whatsoever to prepare kids to go to college. Their sole responsibility is to deal with them when they get there. And I think that's pure poppycock."***
>
> *—Chair, Senate Education Committee*

Legislators emphasized higher education's central role in increasing the quantity and enhancing the quality of the K-12 teacher workforce. In our 1995 survey, "teacher preparation" was rated the foremost priority requiring greater attention by colleges and universities. Similarly, "teacher preparation and professional development" was ranked first in importance among 27 state issues in a 1999 survey of chief executive officers of statewide governing and coordinating boards.[14] Not surprisingly, a top priority of state legislatures in the HEIS2001 is to change and improve the way teachers are recruited, educated and supported.

The U.S. Department of Education estimates that the nation will need 2.2 million teachers in the next 10 years due to an accelerating rate of teacher retirements, growing student enrollments, and mandated class size reductions. The vast majority of teaching vacancies is likely to occur in certain subject areas and in hard-to-staff rural and urban schools. At the same time, there is widespread concern about the preparedness of current teachers in their jobs. Several legislators underscored their concerns by pointing to teacher education programs that rely on outdated teaching methods, failing to provide teachers with needed skills, such as the ability to use technology in classroom instruction. Asked one education chair, "How do we ensure that we have teachers with the skills to deliver quality curriculum in our classrooms the more dependent we become on technology?"

Simply put, the perception of many legislators is that higher education has not made enough of an institutional commitment to the goal

of K-12 school improvement, and specifically, K-12 teacher quality. Spurred by federal efforts to make teacher education programs more accountable under Title II of the Higher Education Act of 1998, states soon will be ranking teacher preparation programs statewide. Increasingly, state legislatures are holding education schools accountable for producing professionals who have the knowledge and skills to teach a more diverse population of students. In response to stagnant K-12 test scores, for example, the Colorado legislature passed a law in 1999 that allows teacher education programs to be shut down if, among other things, the programs and their teacher candidates fail to meet new performance standards.

Use of merit as a means for awarding financial aid is an increasingly popular concept with both legislatures and the public in part because it is simple to understand and it serves multiple purposes. A growing number of states are establishing merit-based student aid programs that promise to pay all or part of the college tuition of any student who meets a certain standard of achievement. Many of the state programs are modeled after Georgia's highly publicized HOPE scholarships, pioneered in 1993 as part of the state's K-12 school reform efforts to raise educational aspirations and academic achievement. Among the other objectives often assigned to merit-based programs are goals to improve college affordability and broaden the racial and geographic diversity of college students. To determine eligibility, states typically rely on one or more measures such as class rank, high school exit exam scores, or grade point average. In many states, determinations for merit awards are made without regard to family income.

Legislators we interviewed made reference in varying degrees to the academic, financial and equity goals as important rationales for their states' merit-based student aid programs, however, their comments centered most sharply on the programs' goals related to the state's economic development interests. In an extremely competitive market for higher education, states or colleges can use merit awards as an effective incentive to recruit out-of-state students and to keep from losing their own "best and brightest" to other states. Many legislators emphasized that a key objective of their merit programs is to stem the brain drain of the state's top high school students who go to college outside the state and end up leaving the state for good. Some states limit their programs to high demand fields and require that recipients

work in the state for a period of time following graduation.

A recent study of the migration patterns of recent college graduates produced mixed results related to the effectiveness of this strategy. The analysis revealed that college graduates were 10 times more likely than other students to take a job in-state if they attended high school and college in the same state. However, graduates were less likely to be employed in-state if they had earned an engineering or physical science degree, attended a research university or historically black college, or could command an above average starting salary upon graduation.[15]

Although critics assert that with limited resources available, non-need-based programs divert funds from need-based scholarships, legislative interest in distributing aid on the basis of merit shows little sign of abating. State spending in 1999-2000 on merit-based aid programs, many of which are financed by state lotteries, grew by 20 percent over the previous year.[16] One reason is that legislators like the simple-to-understand message the programs send to students: Work hard and achieve and you will be rewarded.

Another, more politically motivated reason is that the programs have proven to be enormously popular with the public, particularly with middle-class families who are too affluent to qualify for need-based aid to help pay for college. New Mexico and Arkansas are just two of the states that have seen the costs of merit-based programs explode far beyond initial budget projections due to greater than expected interest. Sometimes in concession to powerful public pressure, legislatures have expanded their merit-based programs in recent years to cover students who attend college part-time or to include a greater percentage of high school graduates. When legislators have sought to control skyrocketing costs by instituting tougher program standards, much like what the Florida legislature attempted to do in 2001, they find their efforts are met with swift resistance from middle class constituencies.[17]

THE HIGH COST OF HIGHER EDUCATION: KEEPING COLLEGE AFFORDABLE

Nearly every legislator with whom we spoke is concerned with keeping higher education affordable. In state legislatures across the country, both the cost and the price of a college education, as well as the means to finance it, are subjects of lingering debate and discussion. Public policy responses designed to reduce financial barriers to access

and maintain affordability for students include moderating the high price of tuition with increases in state appropriations and providing financial aid options to help students meet the higher prices. Each of these strategies is discussed below:

Even as state legislatures loosen the reins over institutional operations and finances, many continue to debate how best to regulate the "sticker price" of a college education. Tuition is often the topic that gets "worked over" the most during the legislative session in part because tuition and state appropriations tend to be tightly linked. (See *Appendix C* for state data table.) Most legislators we talked to seem well aware of the primary role declining public revenues for higher education have played in triggering higher tuition prices. Many realize, too, that as colleges and universities grow ever more dependent on "paying customers" as a revenue source, public institutions need the flexibility to raise or lower prices in response to changing market conditions. As mentioned earlier, some legislatures are granting them limited control over how tuition is set and revenues managed. At the same time, many legislators worry that if tuition increases continue to outpace current rates of inflation, the ability of many colleges and universities to maintain affordable access will be seriously compromised. As one senator from a fast growing state put it, "We have to be careful that students are not eventually priced out of the market so that a higher education is not accessible."

Despite these fears, several legislators we interviewed felt that because of the sagging economy in their states, the legislature had no choice but to authorize double-digit tuition increases in recent years in order to cover budget gaps. Conversely, many other legislators reported that budget surpluses and a healthy economy encouraged the legislature to "freeze" tuition at current levels or, in some cases, to "roll back" recent increases to previous levels. A few told us that the targeted use of state appropriations for the purpose of what they referred to as a tuition "buy-down" or "bail out" sometimes comes with a catch: In exchange, the institutions guarantee that for a period of time tuition will remain stable or subject only to slight increases — a promise both parties might find hard to keep in the event of an economic downturn.

Legislatures' reliance on financial aid to moderate the impact of high tuition continues to grow, even though many legislators con-

sider it a "band-aid" that does little to address the larger problem of continually rising prices. In response to higher tuition levels, legislatures' reliance on student financial aid options continues to expand. Although the amount individual states spend on student aid varies widely, states overall awarded a total of $4.15 billion in grants and scholarships to college students in 1999-2000, a 12.6 percent increase over the previous year.[18] According to the National Association of State Student Grant and Aid Programs (NASSGAP), which conducts an annual 50-state survey on state student aid spending, the increase represents one of the largest in two decades. Current indications are that the figures for 2000–2001 will reflect a similar rate of growth.

TUITION: THE PRICE OF ADMISSION

In 2000-2001, undergraduate tuition and fees rose 4.4 percent at public four-year colleges and universities, 5.2 percent at private four-year institutions, 7 percent at private two-year institutions, and 3.4 percent at public two-year institutions. Only the public two-year sector was able to hold the rate of increase to below the previous year's level and steady at the 3.4 percent rate of inflation.

Between 1988 and 1998, the average price of attending a public college or university, after adjusting for inflation, rose 22 percent. At private institutions, the average price increased by 27 percent.

Real average family income has increased much more slowly than the real rate of college tuition. While average aid per student has increased 74 percent in the last 20 years, tuition and fees adjusted for inflation have more than doubled and median family income has risen an average of 20 percent. Higher levels of income inequality mean that the cost of college (as a percentage of real family income) rose substantially only for low-income families.

Sources: The College Board, Annual Survey of Colleges and Trends in Student Aid 2000 (2001); U.S. Department of Education, National Center for Education Statistics, 2001

Many legislators we interviewed, however, consider the use of financial aid programs as a means for maintaining access to higher education a "band-aid" that does little to address the bigger problem of rising prices. Their belief that high tuition can discourage some students from enrolling in the first place, especially when they come from low-income families, is well founded. The consensus among many educational researchers is that across all types of institutions, enrollments drop as tuition increases, even with the provision of aid.[19] In the words of one legislator, "The key issue is access and every time you raise tuition there is a certain number of people who just get mathematically eliminated." Clearly, financial aid helps, but many legislators also

worry about a growing debt burden for students and their families. Even when a family qualifies for financial aid, the amount that remains to be funded after aid can be substantial.

> ***"We're sensitive to the portion of tuition that the student has to pay. We would like to make sure that universities aren't just raising tuition just to raise it because the student now has a scholarship, for example."***
>
> *—Chair, House Education Committee*

SECTION V

STATE FUNDING FOR HIGHER EDUCATION

THE ADEQUACY OF STATE FUNDING

In looking across the entire spectrum of higher education issues that state legislatures might address during any given session, whether in good economic times or bad, it is the issue of funding — what amount to allocate and how to distribute it — that receives the greatest measure of legislative attention. Indeed, "if funding is not the most important higher education issue," suggests a long-time legislator, "then it is certainly the most visible."

As discussed previously, healthy fiscal conditions and a robust economy has meant total state appropriations for college and university operational costs have increased on average 7 percent for the last three years and exceeded the rate of inflation for the last seven. Yet when we asked state legislative leaders in late 2000 to early 2001 whether they thought the current level of state funding for higher education in their states was adequate to meet current state needs, over three-quarters of them told us "no" (Fig. 3). In explanation, many said that the state's economic and workforce development goals have contributed to setting an ambitious agenda for higher education that includes a variety of long-term costly priorities designed to expand capacity and maintain quality in the system as well as to accommodate changing enrollment demands. Additionally, greater than expected popularity of new or broadened student financial aid programs has boosted the price tag for certain programs far beyond what legislators had anticipated when they approved them.

Many legislators also referred to higher education's traditional role as the "budget balancer" as a related issue that has fed their concerns about the level of state funding for higher education. Most are well aware that higher education, as the single largest discretionary item of state budgets, has been subject historically to widely fluctuating funding cycles, faring better than other major spending categories in good economic times and disproportionately worse in a downturn. More-

over, even as the total amount of state appropriations for higher education has steadily grown for much of the last decade, the percentage of state general fund budgets allocated to higher education has continued to shrink, from 14 percent in FY 1990 to 11.7 percent in FY 2001.

At the time when we conducted our interviews, many legislators were hopeful that the two-decade-long trend of a declining share for higher education could finally be reversed. In response to our question asking whether they expected higher education's share of their state's total budget to increase, decrease or stay about the same during the next three to five years, slightly less than half the respondents answered that they expected it to increase (Fig. 4). Many were quick to add, however, that their response was tempered by uncertainty over the long-term health of the economy. In other words, legislators were cautiously optimistic about higher education's chances of garnering a greater share as long as the state's fiscal and economic health held, but they were pessimistic about higher education's ability to compete for resources if budgets got tight.

A quick look at legislators' responses in 1995 to the same two questions yields some interesting comparisons with our findings from 2000-01 (Figs. 3 and 4). For example, the percentage of legislators that anticipated higher education's share of the state's budget would increase grew nearly threefold, from 16 percent in 1995 to 46 percent in 2000-01. Additionally, 44 percent of legislators in 1995 considered the level of state funding for higher education to be adequate. By 2000-01, the percentage had shrunk to roughly half that amount. Thus, compared to 1995, legislators in 2000-01 tend to be more dissatisfied generally with the level of state support for higher education but more hopeful that its share relative to other components of the state budget would increase. However, in both surveys Republicans and Democrats tended to hold differing opinions on the adequacy of current funding levels, although the differences were less pronounced in 2000-01 (Fig. 5).

"IF WE DON'T HAVE IT, WE DON'T GIVE IT"

The economy may be the single most important factor influencing state fiscal conditions. As the pace of economic growth slows, less revenue is generated from tax receipts, thus rendering state budgets with less general funds available for public expenditures. Additionally, many states have viewed periods of strong revenue growth as an op-

Figure 3

ADEQUACY OF CURRENT LEVEL OF STATE FUNDING TO MEET HIGHER EDUCATION NEEDS, 1995 AND 2001

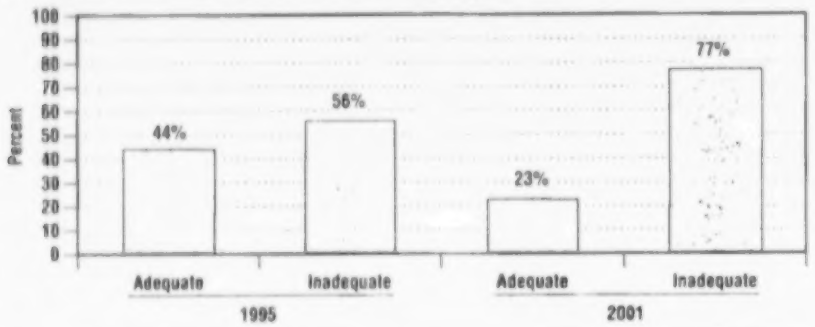


Figure 4

LEGISLATORS PERCEPTIONS ABOUT CHANGES IN HIGHER EDUCATION'S SHARE OF TOTAL STATE BUDGET, 1995 AND 2001

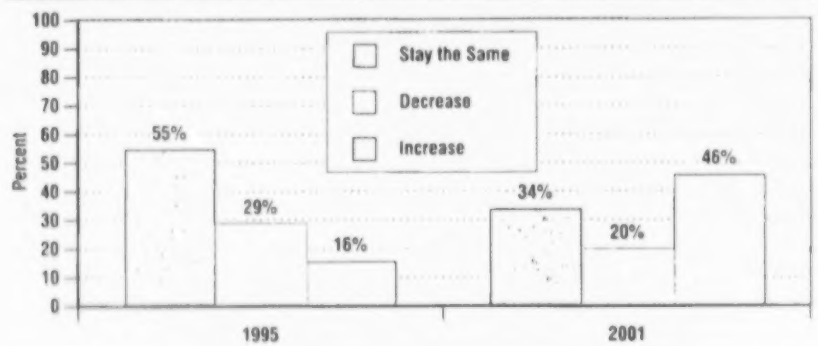
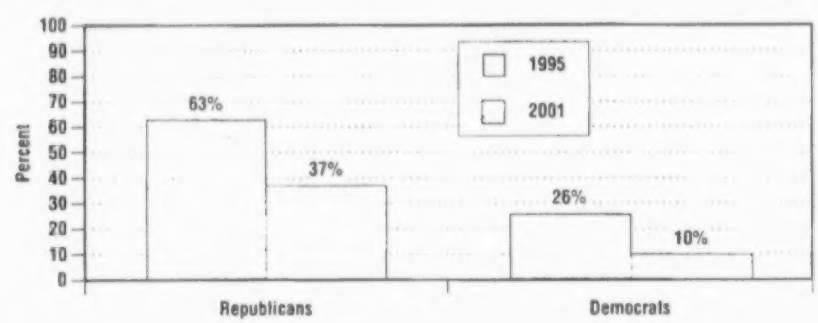


Figure 5

HOW DEMOCRATS AND REPUBLICANS PERCEPTIONS DIFFER ON THE ADEQUACY OF CURRENT FUNDING LEVELS, 1995 AND 2001



portunity to enact broad tax cuts. FY 2000 represented the seventh consecutive year of net reductions in state taxes. As the chair of a house education committee from a state facing revenue shortfalls said of higher education's prospects:

> ***"Funding will always be an issue because higher education will be competing for money. But I think the biggest competitor is the tax cut. Tax cuts compete with higher education every bit as much as K-12 or Corrections does."***
>
> ***—Chair, House Education Committee***

Drawing from our interviews, the words of legislative leaders might also best describe the process by which the legislature determines budget allocations to higher education and the other major functions. "The process of giving state funds to different agencies is not a situation that lends itself to a win-win," explained an education chair. "There are winners and losers, especially in a state such as ours where we don't have a whole lot of tax revenue." Said another: "What determines how much we'll appropriate [for higher education] is how much we have." Put another way, this legislator's words may prove prophetic if the economy continues its present slide: "If we don't have it, we don't give it." How higher education will stack up depends in part on how well it can compete against these other major components of state budgets:

Medicaid — One of the biggest causes of budget problems cropping up in states is increased Medicaid spending due to skyrocketing drug prescription prices and expanded eligibility for coverage under the program. Medicaid, which surpassed higher education in 1993 as the second largest slice of the state budget pie, now accounts for approximately one-fifth of state budgets. Many states are finding Medicaid costs rising faster than expected. In Rhode Island, for example, Medicaid spending increased 12.5 percent in 2000 and 18 percent in 2001 and now accounts for between one-quarter to one-third of the state's total budget.[20]

K-12 Education — K-12 education reform measures and recent court decisions affecting school finance policies are just two of the elementary-secondary issues likely to divert resources from higher education. Many states facing severe teacher shortages are raising teacher salaries in order to meet demands. Other states are offering financial

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incentives, such as signing bonuses and low interest loans as a way to recruit and retain teachers and to get prospective students to consider teaching as a profession. Additionally, several states operate under directives to spend money on certain education activities. For example, in November 2000, Colorado voters approved a constitutional amendment that requires the legislature to fund public schools at the rate of inflation plus 1 percentage point for the next 10 years and at the rate of inflation thereafter.

☐ **Corrections** — According to a June 2000 Gallup poll, crime remains Americans' number one concern. Corrections costs, although a relatively small piece of the pie, have grown steadily in recent years. One reason is the 1994 federal crime bill that set mandatory prison sentences and forced increased spending for new prisons.

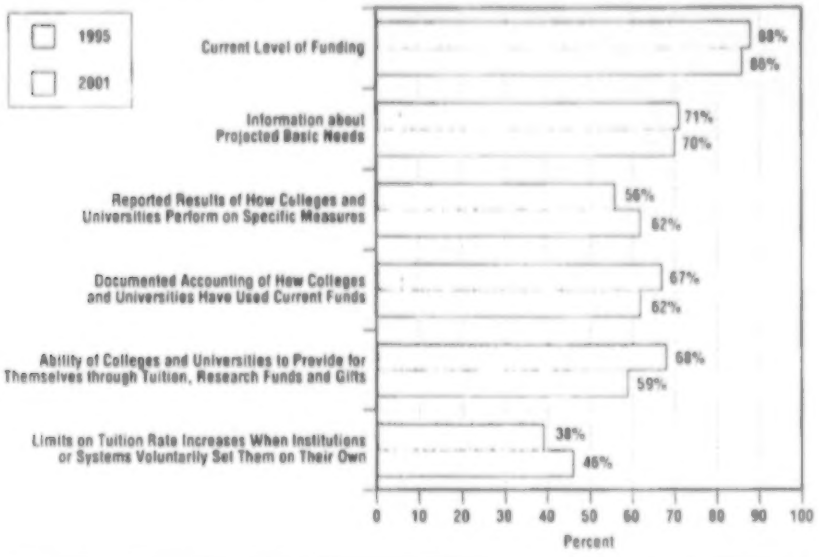
FACTORS THAT CAN INFLUENCE HOW FUNDS ARE DISTRIBUTED TO HIGHER EDUCATION

As mentioned, the level of funding to higher education may be simply a matter of determining what funds are available. Beyond that, however, certain kinds of information or particular circumstances can serve as intervening factors that can affect the way in which the funds are distributed. As one legislator put it: "The economy itself is important, but we debate how much should go to higher education versus something else like welfare or corrections. There have been enough dollars to go around lately, so the question is more how do we give it to them?"

As a way of answering that question, we asked state legislators in both 1995 and 2000-01 their opinion on the significance of six different factors in determining "how much money the legislature [in their state] would appropriate for higher education" (Fig. 6). The relationship of tuition to state appropriations has been discussed at length elsewhere in this report. It is worthwhile to note, however, that the "ability of colleges and universities to provide for themselves through tuition, research funds, and gifts" as a factor in determining the level of state appropriations declined slightly in importance between 1995 and 2000-01. The significance of "budget bargaining" proposals, in which colleges and universities agree to limit tuition rate increases in exchange for a greater share of state appropriations, increased somewhat during the same time.

Figure 6

FACTORS IN DETERMINING HIGHER EDUCATION APPROPRIATIONS, 1995 AND 2001


1995
2001
Current Level of Funding
88%
88%
Information about Projected Basic Needs
71%
70%
Reported Results of How Colleges and Universities Perform on Specific Measures
56%
62%
Documented Accounting of How Colleges and Universities Have Used Current Funds
67%
62%
Ability of Colleges and Universities to Provide for Themselves through Tuition, Research Funds and Gifts
68%
59%
Limits on Tuition Rate Increases When Institutions or Systems Voluntarily Set Them on Their Own
38%
46%
0 10 20 30 40 50 60 70 80 90 100
Percent

A review of the findings from 1995 and 2001 reveals that most legislatures continue to rely heavily on "inputs" in determining how funds to higher education are allocated, although interest in linking funding to performance "outcomes" continues to grow. Not surprisingly, an overwhelming majority of legislators in both surveys reported that the current level of funding was a very important factor in their determinations. Many states use current funding levels as the initial starting point before making adjustments based on projected basic needs that the public institutions or systems identify, such as planned program improvements or salary increases. In addition or as an alternative, many states rely on a funding formula based on equivalents of full-time enrollments (FTEs) to calculate the level of base funding to institutions. However, in the HEIS2001, several legislators told us their states are in the process of rethinking enrollment driven formulas to focus more on outcomes rather than input measures. This is consistent with our findings in 1995 that showed nearly half of all legislators interviewed reporting that their states were likely to "adopt a new funding formula in the next three to five years."

Likewise, similar to our findings in 1995, legislators in 2000-01 con-

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tinue to express an abiding interest in performance-based accountability measures that provide evidence of how colleges and universities have used current funds to ensure that they are being spent consistent with public priorities. As one long-time senator who chairs the education committee put it, "It's coming to the point where higher education is going to have to show results for the money they're getting, and directly relate it to the economy."

Moreover, legislative interest in linking priorities and performance to the state funding continues to grow, although the amounts involved are relatively small. An annual survey conducted by researchers at the Nelson A. Rockefeller Institute of Government found that in 2000, 37 states had either or both performance budgeting (in which results are taken into account in determining appropriations) or performance funding (in which results are tied directly to appropriations).[21] This represents an increase of 7 states over 1999. One reason for the stronger interest may be, as several legislators reminded us, the emphasis on accountability in K-12 education "and now people are asking the same of higher education."

> ***"Accountability will eventually determine the dollars that an institution receives. Performance-based budgeting may happen little by little, but it is growing. K-12 has always had this link to performance, and higher education is going to start seeing legislative insistence on the link between money and performance, or output."***
>
> ***—Chair, Senate Education Committee***

Another aspect of the shift from inputs to outcomes is that more and more states are forming "compacts" founded on a shared commitment between state government and its colleges and universities to support higher education in the state. Most compacts, such as those in Texas and Virginia, typically involve a *quid pro quo*: The state agrees to lessen bureaucratic oversight and provide a larger and more stable stream of funding and, in exchange, the institutions agree to meet certain academic or financial performance standards. Vermont's 1999 compact, signed by the Governor, leaders of the higher education community, and the leadership of the General Assembly, lays out a set of explicit goals, recommended funding strategies, and accountability expectations for evaluation criteria.

SECTION VI

WHERE WE GO FROM HERE

IN PURSUIT OF WISDOM

Shortly after we completed our interviews for the HEIS2001, many states began to see their earlier revenue projections fall rapidly. What seems most remarkable now is not that the downturn happened when it did but rather how quickly it struck, managing to catch even veteran state policymakers and the most seasoned of economic analysts off-guard. As recently as January 2001, the fiscal picture for the states was still being characterized as "almost entirely rosy."[22] Yet by late February 2001, 31 states had reported they were spending more than they budgeted and as many as 23 states were facing cuts or reaching into reserve funds for the first time in years.[23] Several states in the southern and Great Lakes regions have been especially hard hit.

Financial shortfalls are forcing legislatures in some states to inflict deep mid-year budget cuts that directly affect higher education, calling to a halt projects and programs initiated when budgets were flush and requiring substantial new tuition rate increases. Virginia is typical of many states in which the consequences of a slowing economy are being played out. In 1999, the Virginia Legislature adopted a generous state budget that allowed for nearly $50 million in tax cuts at the same time subsidizing a 20 percent rollback in tuition at the state's public colleges. Now, two years later, the state faces a $421 million shortfall. Virginia's colleges and universities have been forced to suspend work on several multi-million dollar construction projects and, under the budget for FY 2001-02, they will likely have to forgo faculty salary increases as well. Additionally, funds are lacking to cover increases in enrollment growth and for need-based student aid.[24]

Due to a strong economy that has lasted for much of the last decade, many states have been in the enviable position of being able to "do more with more" with regard to their systems of higher education. How higher education will fare in a less favorable economic climate remains to be seen, however, we offer the following observations based

on an analysis of the HEIS2001 findings and review of recent state policy trends:

As the economy slows, legislative politics may play an increasingly important role in helping states make good on their commitments to support higher education in the state. In state legislatures and elsewhere around the country, policymakers and others with a stake in higher education are wondering about the extent to which states will be able to make good on their promises in the face of changing state fiscal conditions. This led one education chair to ask: "Will the commitment to the public be honored?" According to several legislators we interviewed, the answer will depend in part on legislative politics — including the individuals who are in positions of legislative leadership and the political party that is in control.

During the 2001 legislative session, some of higher education's legislative leaders were making concerted efforts in their states to protect higher education from budget cuts. For instance, influential legislators in Kentucky and West Virginia worked diligently to protect both K-12 and higher education spending from cuts that now must be made in their respective states since enacting their FY 2000-01 budgets. Other legislators, such as those in Mississippi and South Carolina, are relying on the use of one-time funds to help carry over higher education till next year. In what state legislators described as a last-ditch boost "to create a bridge for next year" when the state revenue picture is expected to be worse, the Mississippi legislature reduced budget cuts for the state's 8 public universities from 14 percent to 8.3 percent by borrowing from 10 other projects and agencies.[25]

The nature of the relationship between higher education officials and administrators and state policymakers can be important in determining outcomes. Not surprisingly, the general consensus among the state legislators we interviewed is that the quality of professional interactions between members of the legislature and the leadership of colleges and universities has improved in recent years, consistent with the improving economy (Fig. 7). Nearly two-thirds (64 percent) of legislators depict their relationship with higher education in generally favorable terms, using such words as "positive" "good" or "okay" to describe it. Another 18 percent say the relationship is "very good" or "excellent."

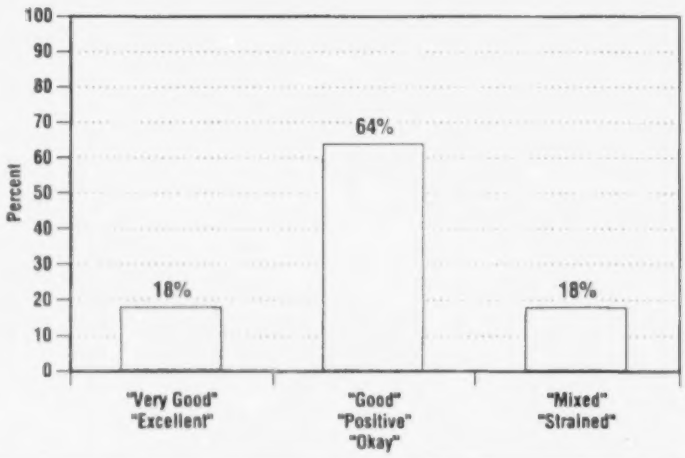
The findings turned up no appreciable differences in the responses

that were attributable to political party affiliation or other demographic variables associated with our legislative sample. However, among the 18 percent of legislators who describe the legislature's relationship with higher education as "mixed" or "strained," several told us that concerns related to fiscal matters often lie at the heart of the tension. While the reasons vary, some legislators are openly critical of what they see as higher education's insatiable demand for resources and a lack of communication about how monies are spent. In the words of one education chair: "Higher education does have an unending appetite for resources, though, and they don't communicate effectively with public officials. They come in with an attitude, and this doesn't help the relationship with the legislature or the governor."

Yet, several legislators concede, regardless of the nature of the relationship with the legislature, higher education in their state often "comes out on the short end of the stick" when there are budget shortfalls. In recent years, some states have drastically cut higher education budgets to shore up K-12 funding gaps. In FY 2002, higher education budgets are again on the chopping block in several states unless last minute compromises can be reached. Ultimately, positive relations may not be enough to change the course of budget outcomes in times of scarce resources and competing demands, but clearly a poor relationship does nothing to help. One often heard theme is that the conditions needed to support positive relationships between policymakers and higher education leadership hinge on the nature of individual personalities. More specifically, they are based on the ability of the parties involved to build relationships of trust — a task made decidedly more difficult with higher rates of legislative turnover.

Figure 7

HOW LEGISLATORS DESCRIBE THE LEGISLATURE'S RELATIONSHIP WITH HIGHER EDUCATION



As states increasingly face the dilemma of not being able to fully meet the

financial needs of all students who qualify for aid, legislatures will likely confront a "clash of values" over how and to whom the funds should be distributed. Several widely publicized reports, including one released recently by a respected federal commission, have drawn attention to a shift in state policy away from a focus on "low-income students, who otherwise might not attend college without assistance, to making college more affordable for those whose attendance was already assured."[26] As state budgets begin to tighten, state legislatures will be forced to make decisions about which programs to fund. A number of states already face the dilemma of being unable to fully meet the needs of all students who qualify. State legislators will be called upon to determine which values should undergird student aid policy goals: aid to recruit the most desirable students or aid to assist the neediest students. In explaining how the legislature in his state responded to prolonged debate on this topic, a legislator made the following case:

> ***"The mood in the legislature was since we were using taxpayers' money, why would we not make it available to all taxpayers?"***
>
> ***—State Representative from an Eastern State***

Based on recent trends, the circumstances described in the above quote should not be considered atypical, as state legislatures, at least for purposes of their student financial aid programs, are increasingly defining "affordability" more broadly to encompass a greater range of income groups. This is due in large measure to the powerful political force exerted by middle income constituencies. Although the lion's share of state dollars for student aid are devoted to low income or need-based grants, much of the recent growth in state spending is being fueled by merit-based scholarships. Because of a strong research-based correlation between family income and academic attainment, the low-income population (which is also disproportionately minority) faces an added disadvantage in competing for merit-based aid. In 1999-2000, merit-based grant programs accounted for about 22 percent of all expenditures on student aid, up from 15 percent in 1994-95, according to the NASSGAP. A relatively small proportion of state aid awarded on the basis of need is tied to some level of merit.

Other actions by state legislatures also tend to favor students from middle and upper income families at the expense of low-income students. In addition to increased funding for merit-based scholarships, some states are cutting back on need-based aid, and in a few cases, eliminating it entirely. Other states are expanding eligibility requirements for need-based aid to cover households with higher incomes. And, because "you have to have money to save money," most tax incentive and savings programs are more likely to help middle and upper income families pay for college than they are to be of benefit to students from low-income families. It is important to note that one bellwether state bucking the recent trend is California, where lawmakers in 2000 passed what is being touted as the most generous need-based financial-aid program in the nation designed to help all eligible students meet college costs.

Higher education will be subject to increased scrutiny as state legislatures are forced to prioritize needs from among equally deserving, yet competing demands for public resources. Higher education's long-standing role as a "budget balancer" makes it particularly vulnerable to cuts. Most legislators recognize that a share of higher education's fiscal problems can be shifted to others, primarily in the form of tuition and fee increases. Indeed well over half of the legislators interviewed for this study agree that a significant factor in determining how much the legislature will appropriate for higher education is "the ability of colleges and universities to provide for themselves through tuition, research funds, and gifts." Whether state legislatures will be able to make good on their commitments to higher education in the face of competing demands and shrinking resources remains to be seen.

Clearly, state responses will vary according to each state's unique social, economic and political history, but to speculate on what may lie ahead, we draw on the reflections of legislative leaders interviewed for this study to offer the following three scenarios related to higher education:

Scenario #1: "Status quo"

"If there is a downturn in the economy, higher education is going to suffer. It is a discretionary item, and with the tax

cut and tepid legislative support, that would be an item that would be most likely to suffer."

—State Senator from an Eastern State

Scenario #2: "Making the case"

"If state revenues don't increase at their prior pace, then the legislature has to be made aware of the link between the economy and higher education and not panic and take away funds. We have a mission to make sure that they understand that one of the ways we can provide economic stability is to avoid extreme cycles up and down."

—Chair, House Education Committee

Scenario #3: "Everybody gets the picture"

"One of the real problems that higher education had was that it was discretionary and there was a way to raise more money via tuition that allowed us to divert state money to other places, to squeakier wheels. But where I think the driving force is, is that 'everybody gets it' — the fate of higher education is intertwined with the fate of the New Economy. If you have a strong higher education system and you're turning out bright people with the right skills, your economy is going to do a heck of a lot better than if you've got a higher education system that's behind the times."

—State Senator from a Southern State

The first scenario reflects the status quo: Higher education's traditional position as a discretionary item in state budgets makes it a particularly vulnerable target for receiving a disproportionately smaller share of state budgets as revenues decline. In the second scenario, although the outcome is by no means assured, the hopeful atmosphere described is one in which legislative advocates can be persuasive in "making the case" for higher education's value in contributing to, among other things, state economic development goals. The third scenario represents a fundamental change in the way legislatures have

traditionally operated, from a context in which budgets drive policy to one in which policy goals and priorities would be foremost.

While each of the quotes presented above reflects a different scenario for the future, they are alike in one very important respect: they articulate a set of values that the legislator holds about higher education. The development of most policies depends as much on the resolution of values as they do on the sharing of factual information. Webster's dictionary defines "wisdom" as "knowledge of what is true or right coupled with good judgment." Stated another way, wisdom is the mixture that results when facts are combined with values. Wisdom can be a powerful tool for shaping public policy in determining where we go from here.

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APPENDIX A

RESEARCH METHODOLOGY

The 2001 Higher Education Issues Survey (HEIS2001) was designed to elicit the personal opinions and attitudes of state legislative leaders about higher education issues in their states. Survey objectives were to identify and clarify:

- states' legislative agendas for higher education currently and for the near future;
- strategies and policy options that state legislatures are likely to adopt to address identified concerns; and
- political, social, and economic factors that influence legislative policy and budgetary decisions.

The author, in consultation with staff of the National Education Association as well as other national and regional state policy or education organizations, developed the survey instrument. The 19-item interview protocol, comprised of open-ended and close-ended questions, was designed explicitly to be both impartial and non-partisan in its approach to the issues.

The HEIS2001 sample included state legislators considered to be insightful, knowledgeable, or influential in matters pertaining to higher education policy issues in the lower and upper houses of state legislatures during the 2000-2001 sessions. The survey targeted primarily education or higher education committee chairs in both chambers but also included finance committee chairs, senate presidents, house speakers and majority and minority leaders.

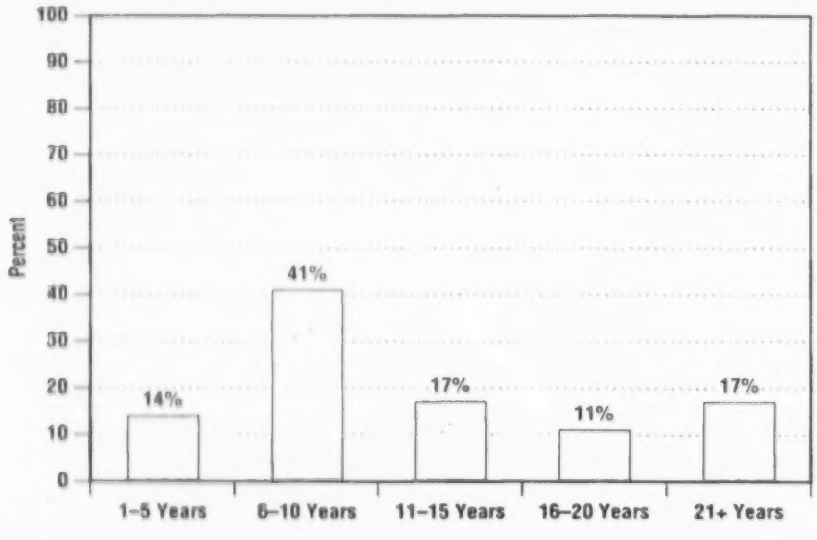
Following an introductory letter, legislators were contacted to schedule an interview time at their convenience. All the interviews were conducted by telephone over an eight-month period from June 2000 through February 2001. The interview protocol was made available to legislators in advance of the scheduled interview if they wished to review it. The protocol served as a guide for a "focused conversa-

tion," in which the interviewer asked the respondent each of the questions included on the protocol but also was at liberty to ask any number of follow-up questions as appropriate. With the legislator's express permission, the interview was audio-recorded and later transcribed solely for purposes of analysis by the author. The length of the interviews ranged from 20 to 70 minutes, with the average time being approximately 30 minutes.

Survey findings are derived from 63 interviews with state legislators and 1 interview with a long-time legislative aide who spoke on behalf of the legislator he serves, for a total of 64 separate interviews. All 50 states are represented in the survey findings. In 36 states, 1 interview was conducted with a member of either the house/assembly or the senate; in 14 states, a member of the house/assembly and a member of the senate were interviewed. The 22 "megastates," i.e. those states that appropriate more than $1 billion annually in higher education operating funds, were specifically targeted for 2 interviews.

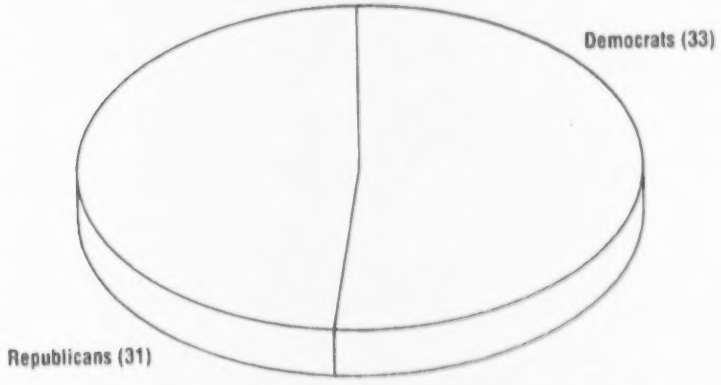
Qualitative analysis of the survey data was conducted using Non-numerical Unstructured Data Indexing Searching and Theorizing software, also known by the acronym, NUD*IST 4. The National Education Association contracted with OMNI Research and Training, Inc. of Denver, Colorado for assistance in reviewing the interview protocol and in conducting the analysis.

NUMBER OF YEARS IN STATE LEGISLATURE



PROFILE OF SURVEY RESPONDENTS

POLITICAL PARTY



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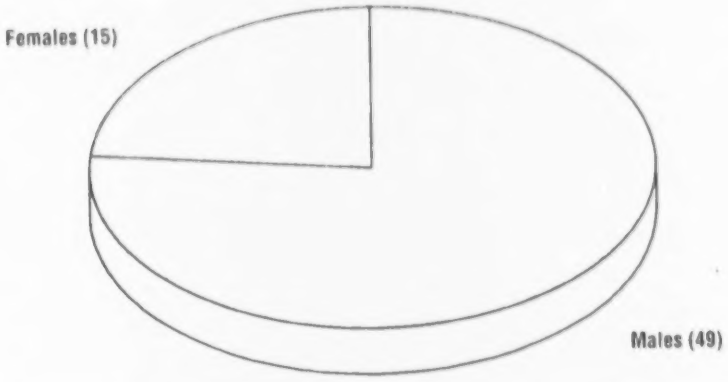
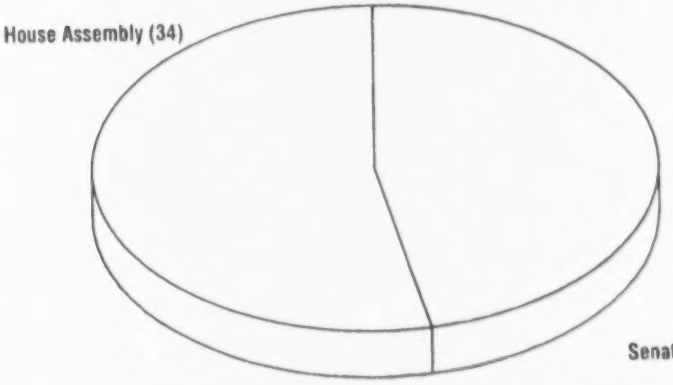


CHAMBER



APPENDIX B

THE 2001 HIGHER EDUCATION ISSUES SURVEY INTERVIEW PROTOCOL

NOTE: For purposes of this survey, "higher education" means any education or training beyond the high school level including 2- and 4-year public and private colleges and universities.

Question #1:

From your unique perspective as a state legislator, what do you see as your state's most important strategic needs and what role can higher education play in helping to address those needs?

Question #2:

Given the state needs you've just identified, I would like for you to tell me how responsive you think each of the following types of higher education providers in your state is in meeting them. If you wish, you can use a 4-point scale, where 4 is *Very Responsive*, 3 is *Somewhat Responsive*, 2 is *Somewhat Unresponsive*, and 1 is *Very Unresponsive*. However, please feel free to elaborate on any of your answers.

Q: When it comes to meeting state needs, how responsive are:

2.1. Public 4-year colleges and universities
2.2. Public 2-year community and technical colleges
2.3. Private, not-for-profit colleges and universities
2.4. For-profit, degree-granting providers that target working adults

Question #3:

What higher education issues in your state received the greatest amount of legislative attention this year and what were the outcomes?

Question #4:

Are changes in higher education governance currently a legislative issue in your state? If so, what were the underlying causes that triggered the changes?

Question #5:

How would you describe the relationship between public higher education generally and the legislature in your state?

Question #6:

From your perspective, how would you describe the relationship between public higher education and the Governor in your state?

Question #7:

For background purposes only:
7.1. What year were you first elected to the legislature?
7.2. What is your political party affiliation?

Question #8:

The next question asks you about changes in the legislative process and their potential impact on higher education issues. In your opinion, has the legislature's ability to address higher education needs in the state been affected by recent changes in or particular aspects of the legislative process? If so, how?

Question #9:

Over the next decade, is the demand for access to higher education in your state likely to: (1) increase (2) decrease, or (3) stay about the same?

Question #10:

Do you think the current level of state support for higher education in your state is adequate to meet current needs?

Question #11:

During the next three to five years, do you think higher education's share of your total state budget will (1) increase, (2) decrease, or (3) stay about the same?

Question #12:

From your perspective, what do you see as the legislature's most important priorities related to higher education during the next three to five years?

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Questions #13:

Overall, have the legislature's efforts related to higher education been guided, in your opinion, by some sort of statewide plan or "vision for the future"? If so, what do you see as some its key goals or objectives?

Question #14:

When it comes to higher education policy issues, where do you turn for sources of useful or helpful information?

Question #15:

In general, what are the specific kinds of information or data related to higher education you find particularly useful or helpful in making policy decisions?

Question #16:

I'd like to ask you now about the extent to which particular circumstances or certain kinds of information affect higher education funding in your state. Once again, using a 4-point scale, where 4 is *Strongly Agree*, 3 is *Somewhat Agree*, 2 is *Somewhat Disagree* and 1 is *Strongly Disagree*, how would you respond to each of the following statements:

Q: A significant factor in determining how much money the legislature will appropriate for higher education is:

16.1. The current level of funding for higher education in this state
16.2. The ability of colleges and universities to provide for themselves through tuition, research funds and private gifts
16.3. Information about the projected basic and fundamental needs of colleges and universities (such as fixed costs, planned salary increases, planned program improvement or expansion)
16.4. The reported results of how colleges and universities perform on specific measures related to such areas as access, quality, productivity or efficiency
16.5. A documented accounting of how colleges and universities have used current funds
16.6. Limits on tuition rate increases, when institutions or systems voluntarily set them on their own

Question #17:

Are there other kinds of information or circumstances that affect how much the legislature will appropriate for higher education?

Question #18:

In closing, from a state perspective, what do you see as the major challenges facing higher education in the future?

Question #19:

Thank you again for your help in conducting this survey. Are there any other observations or comments on higher education in general or on any aspect of this survey that you would like to share?

APPENDIX C

STATE DATA TABLE

	POLITICAL ENVIRONMENT		ACCESS	PRICE	FUNDING			
State	Party Control[1]	Term Limits/ Initiatives[2]	% Chg. in HS Grad.[3]	Avg. Tuition & Fees[4]	% Chg. in 2-Yr. Approp.[5]	State Spends > $1B[6]	Approp. per $1000 Income[7]
AL	Dem	N/N	0.4	$2833	11.7	Y	$11.15
AK	Rep	N/Y	18.8	$2855	11.8	N	$10.13
AZ	Split	Y/Y	47.6	$2252	6.7	N	$ 6.93
AR	Dem	Y/Y	-1.4	$2785	11.0	N	$10.40
CA	Dem	Y/Y	21.6	$2559	24.4	Y	$ 8.40
CO	Split	Y/Y	23.2	$2775	9.0	N	$ 5.40
CT	Dem	N/N	23.1	$4435	13.9	N	$ 5.28
DE	Split	N/N	15.8	$4642	13.2	N	$ 7.67
FL	Rep	Y/Y	27.9	$2244	13.1	Y	$ 6.41
GA	Dem	N/N	22.7	$2524	7.8	Y	$ 7.01
HI	Dem	N/N	6.9	$2965	5.2	N	$10.03
ID	Rep	Y/Y	1.8	$2458	11.9	N	$ 9.77
IL	Split	N/Y	17.5	$4038	11.8	Y	$ 6.79
IN	Split	N/N	4.8	$3646	11.8	Y	$ 7.89
IA	Rep	N/N	-3.8	$2998	8.4	N	$11.05
KS	Rep	N/N	-1.4	$2439	12.5	N	$ 9.15
KY	Split	N/N	1.8	$2723	12.7	Y	$10.36
LA	Dem	Y/N	-10.0	$2430	2.4	N	$ 8.49
ME	Split	Y/Y	-7.8	$4122	14.9	N	$ 7.09
MD	Dem	N/N	18.8	$4552	24.6	Y	$ 6.67
MA	Dem	N/Y	21.3	$4105	14.7	Y	$ 4.83
MI	Rep	Y/Y	5.0	$4538	18.5	Y	$ 7.57
MN	Split	N/N	2.1	$3800	8.9	Y	$ 8.67
MS	Dem	N/Y	-2.2	$2872	17.4	N	$14.86
MO	Split	Y/Y	11.0	$3701	11.7	Y	$ 6.79
MT	Rep	Y/Y	-13.2	$3011	9.1	N	$ 6.96
NE	N/A	Y/Y	-6.6	$2930	19.5	N	$11.14
NV	Split	Y/Y	78.9	$2034	9.0	N	$ 5.26
NH	Rep	N/N	15.0	$6083	8.3	N	$ 2.45
NJ	Rep	N/N	17.2	$5255	14.9	Y	$ 5.51
NM	Split	N/N	5.2	$2340	9.9	N	$14.27
NY	Split	N/N	8.1	$3983	11.2	Y	$ 5.34
NC	Dem	N/N	30.7	$2054	11.6	Y	$11.31
ND	Rep	N/Y	-22.9	$2990	6.7	N	$11.94
OH	Rep	Y/Y	-1.2	$4495	14.1	Y	$ 6.89
OK	Dem	Y/Y	-2.0	$2183	7.5	N	$ 9.70
OR	Rep	Y/Y	9.2	$3582	19.9	N	$ 6.97
PA	Rep	N/N	4.0	$5610	13.1	Y	$ 5.62
RI	Dem	N/N	11.3	$4318	13.8	N	$ 5.31

	Political Environment		Access	Price	Funding		
State	Party Control[1]	Term Limits/ Initiatives[2]	% Chg. in HS Grad.[3]	Avg. Tuition & Fees[4]	% Chg. in 2-Yr. Approp.[5]	State Spends > $1B[6]	Approp. per $1000 Income[7]
SC	Rep	N/N	6.3	$3638	13.2	N	$9.11
SD	Rep	Y/Y	-28.1	$3210	7.1	N	$6.94
TN	Dem	N/N	10.0	$2698	8.5	Y	$7.01
TX	Split	N/N	16.0	$2644	14.2	Y	$6.99
UT	Rep	Y/Y	-1.0	$2147	11.1	N	$10.28
VT	Split	N/N	-4.1	$6913	14.5	N	$4.18
VA	Rep	N/N	13.6	$3733	25.4	Y	$7.57
WA	Split	N/Y	15.1	$3357	16.4	Y	$7.14
WV	Dem	N/N	-12.8	$2549	6.9	N	$9.86
WI	Split	N/N	-0.7	$3313	12.5	Y	$7.75
WY	Rep	Y/Y	-19.4	$2416	9.9	N	$11.51

NOTES

1 Political party with majority control in legislature following November 2000 election.
Source: National Council of State Legislatures, 2000.

2 Term limits: States that limit the length of an elected official can remain in office. Citizens Initiatives: States that allow citizens to make laws, amend state constitution, and approve or reject laws passed by legislature, 2001.
Source: National Council of State Legislatures, 2001.

3 Projected percent change in number of public high school graduates, 1998–99 to 2009–10. (Median = 11.8%)
Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data surveys and State Public High School Graduates Model, June 2000.

4 Average undergraduate tuition and fees paid by full-time equivalent students in degree-granting public four-year institutions, 1999–2000. Preliminary data based on fall 1998 enrollments. (Median = $3351)
Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), September 2000.

5 Two-year percent change in state tax funds appropriated for operating expenses for higher education, for student aid, and for governing and coordinating boards for fiscal years 1999–2000 to 2000–2001. Figures do not include funds for capital outlays and money from sources other than state taxes, such as student fees or appropriations from local governments. (Median = 14.4%)
Source: Reported by James C. Palmer, Center for the Study of Education Policy, Illinois State University (http://coe.ilstu.edu/grapevine), December 2000.

6 "Megastates:" States that appropriate more than $1 billion in state tax funds for higher education, FY 2000–01.
Source: Reported by James C. Palmer, Center for the Study of Education Policy, Illinois State University (http://coe.ilstu.edu/grapevine), December 2000.

7 Appropriations of state tax funds for operating expenses of higher education per $1000 of personal income, FY 2001. (Median = $7.57)
Source: Reported by James C. Palmer, Center for the Study of Education Policy, Illinois State University (http://coe.ilstu.edu/grapevine), December 2000. U. S. Department of Commerce, Bureau of Economic Analysis, State Personal Income: Second Quarter 2000.